NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

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W-02309A-09-0095
W-03293A-09-0095

IN THE MATTER OF THE JOINT APPLICATION OF DIABLO VILLAGE WATER COMPANY AND THIM UTILITY CO. FOR AN OPINION AND ORDER (i) AUTHORIZING SALE AND TRANSFER OF WATER SYSTEM ASSETS, AND (ii) CANCELING CERTIFICATES OF CONVENIENCE AND NECESSITY.	DOCKET NO. W-02309A-09-____ DOCKET NO. W-03293A-09-____ **JOINT APPLICATION**

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
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(520) 398-0411

Pursuant to A.R.S. § 40-285 and A.R.S. 40-282, Diablo Village Water Company ("Diablo Village") and Thim Utility Co. ("Utility") (hereinafter collectively referred to as "Applicants"), by and through their undersigned attorney, submit this Joint Application for an Opinion and Order of the Commission (i) authorizing the sale and transfer of the water system assets of the Applicants, and (ii) canceling the certificates of convenience and necessity of the Applicants, as more fully described below. In support of their Joint Application, Applicants submit the following information.

I.

BACKGROUND

On February 13, 2009, Applicants and Robin M. Thim ("Thim")[1] entered into an Asset Purchase Agreement ("Agreement") with the Metropolitan Domestic Water Improvement District ("Metro"), a municipal corporation organized and existing under the laws of the State of Arizona. The Agreement provides for (i) the sale and transfer of the Diablo Village and E&T water system assets of Applicants to Metro, subject to prior approval from the Commission, and (ii) the cancellation of Applicants' certificates of convenience and necessity.

[1] Thim owns all of the issued and outstanding shares of stock of each of Applicants, and his participation in the negotiation and execution of the Agreement was determined to be appropriate.

Diablo Village currently provides water service to approximately 981 customers from its Diablo Village water system. Utility currently provides water service to approximately 336 customers from its E&T water system.[2] Significant growth is anticipated to occur in the future in Diablo Village's currently certificated water service area, as well as in adjacent and surrounding areas. Future growth is also anticipated in and near Utility's certificated E&T water service area, although not on the same order of magnitude as Diablo Village. At present, a staff of nine (9) full and part-time employees oversees the water utility operations of Applicants.

Metro currently provides water service to approximately 18,160 customers in the Tucson metropolitan area. Metro currently employs 56 full-time employees in connection with its water system operations, and anticipates further professional and administrative staff additions as its role as a regional water provider continues to expand.

Applicants' certificated water service areas are located in geographic areas in which Metro desires to establish and expand its presence as a regional water provider. In that regard, Metro has access to a variety of means for financing water system infrastructure additions and improvements which are not available to Applicants, and thus would be in a position to better accommodate the growth anticipated to occur in Applicants' certificated water service areas in the future without any adverse impact upon the level and quality of service Applicants currently provide to their respective customers.[3] In addition, Metro's existing rates for water service are lower than the respective rates of Applicants.

Against the above-described background circumstances, and following extensive negotiations, the principals of Applicants and Metro executed the Agreement, a copy of which is attached hereto as Appendix "C" and incorporated herein by this reference.

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[2] Utility also owns a portion of the water system assets which comprise the Three Points water system. Thim Water Corporation is the other owner of the Three Points water system. None of these water system assets are the subject of the Agreement or this Joint Application.

[3] Attached hereto as Appendix "A," and incorporated herein by this reference are copies of audited Financial Statements of Metro for the twelve (12)-month periods ended June 30, 2007 and June 30, 2008, respectively. Attached hereto as Appendix "B," and incorporated herein by this reference are copies of Profit and Loss Statements for Diablo Village and Utility, respectively, for the twelve (12) months ended January 31, 2009.

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II.

ANTICIPATED FUTURE OPERATIONS OF APPLICANTS' WATER SYSTEMS

In the event of Commission approval of the Agreement and extinguishment of Applicants' certificates of convenience and necessity for the Diablo Village and E&T water systems, it is currently anticipated that Metro would commence its ownership and operation of Applicants' aforesaid water systems in as seamless a manner as possible, with the objective of ensuring continuity and quality of water service to Applicants' customers. In that regard, it is Applicants' understanding that, prior to the actual transfer of water system assets and operating responsibilities as between Applicants and Metro, Metro will undertake an outreach program with Applicants' customers for the purpose of introducing itself to such customers. Among other matters, the program materials would include information on Metro's history as an established and reliable water service provider, its system of governance, and its intended rates and charges for Applicants' water service areas. Finally, pursuant to the provisions of the Agreement, Metro would assume in writing full responsibility for any obligations of Applicants under any outstanding main extension or line extension agreements.

III.

PUBLIC INTEREST CONSIDERATIONS

As noted above, Metro is a well-established water service provider in the Tucson metropolitan area, and it has an excellent reputation for providing adequate and reliable service to its customers at reasonable rates. Because of its size and municipal corporation nature, Metro also has recourse to various means for financing future expansions of Applicants' water systems which means are not available to Applicants;[4] and, to the extent that any such future expansions might be financed with long-term debt, Applicants believe that Metro would be able to obtain such funds on more favorable terms than would be available to Applicants. Further, because of

[4] One such means of financing is the use of a Municipal Property Corporation, which can issue securities for the purpose of acquiring or constructing water system assets which would then be leased to Metro for the term of the securities in question. The lease rate would be designed to recover the associated debt service; and, upon repayment of the debt, title to the acquired or constructed facilities would be conveyed to Metro. Other financial means available to Metro include the issuance of bonds secured by property assessments and/or revenue bonds.

the size and diversity of its full-time workforce, Metro has available for its water system operations an array of skills and services, which would be available to Applicants only through the retention of outside consultants or service providers. Finally, Metro's current rates and charges for water service are less than Applicants'.

Thus, for all of the foregoing reasons, Applicants believe that the issuance of an Opinion and Order by the Commission (i) authorizing the sale and transfer of Applicants' Diablo Village and E&T water system assets to Metro pursuant to the provisions of the Agreement, and (ii) extinguishing Applicants' related certificates of convenience and necessity would be consistent with the public interest.

IV.

CONCLUSION

WHEREFORE, Applicants hereby request that the Commission issue an Opinion and Order (i) authorizing the sale and transfer of Applicants' Diablo Village and E&T water system assets to Metro pursuant to the provisions of the Agreement, and (ii) extinguishing Applicants' related certificates of convenience and necessity.

Dated this 25th of February 2009.

Respectfully submitted,

Lawrence V. Robertson, Jr.

Lawrence V. Robertson, Jr.
Attorney for Diablo Village Water Company
and Thim Utility Co.

Original and fifteen (15) copies of the foregoing Joint Application will be filed this 25th day of February 2009 with:

Docket Control
Arizona Corporation Commission
c/o Docket Control
400 W. Washington, Suite 218
Tucson, Arizona 85701

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ATTORNEY AT LAW
P.O. Box 1448
Tubac, Arizona 85646
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A copy of the same served by e-mail or first class mail this same date to:

Hon. Lyn Farmer
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007-2927

Hon. Jane Rodda
Arizona Corporation Commission
400 West Congress, Suite 218
Tucson, Arizona 85701

Janice Alward, Chief Counsel
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1200 West Washington Street
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Phoenix, Arizona 85007

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Appendix "A"

(Financial Statements of Metropolitan Domestic Water Improvement District for the 12-month periods ended June 30, 2007 and June 30, 2008)

DOCKET NO. W-02309A-09-____
DOCKET NO. W-03293A-09-____

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
Tucson, Arizona

FINANCIAL STATEMENTS
June 30, 2008 and 2007

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Board of Directors
Metropolitan Domestic Water Improvement District
Tucson, Arizona

We have audited the accompanying basic financial statements of the Metropolitan Domestic Water Improvement District (District) as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Domestic Water Improvement District as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Tucson, Arizona
November 10, 2008

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METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008 and 2007

Management of the Metropolitan Domestic Water Improvement District (MDWID) offers readers of the financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with the preceding Independent Auditor's Report and the accompanying basic financial statements and notes to the financial statements.

District Framework

MDWID was formed in July 1992 when its residents successfully petitioned the Pima County Board of Supervisors to form a domestic water improvement district in order to have an independent and direct voice in water issues. The District now serves over 18,100 customers, comprised of over 50,000 people on the northwest and a small portion of northeast Tucson. An elected five member Board of Directors from residents within its boundaries governs the District.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MDWID's basic financial statements, comprised of five components: 1) statements of net assets, 2) statements of revenues, expenses, and changes in net assets, 3) statements of cash flows, 4) summary of significant accounting policies, and 5) notes to the financial statements.

The **Statement of Net Assets** presents information on all of the MDWID's assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MDWID is improving or deteriorating. The statements of net assets are found on pages 8-9 of this report.

The **Statement of Revenues, Expenses, and Changes in Net Assets** presents information showing how MDWID's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in these statements for some items that only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The statements of revenues, expenses, and changes in net assets are found on page 10 of this report.

The **Statement of Cash Flows** measures the MDWID's ability to fund operations and capital spending with funds generated from operations. This measure excludes noncash gains and losses. The statements of cash flows are shown on pages 11-12 of this report.

The **Notes to the Financial Statements** provide additional information that is essential to understanding the data provided in the financial statements. The notes to the financial statements can be found on pages 13-26.

Note 1 contains the **Summary of Significant Accounting Policies.** This summary describes accounting policies, which are the specific accounting principles and the methods of applying those principles, used by MDWID in preparing its financial statements. APB Opinion No. 22, *Disclosures of Accounting Policies,* requires disclosure of all accounting policies that materially affect the determination of financial position, results of operations, and cash flows. The summary of significant accounting policies can be found on pages 13-16 of this report.

The District as a Whole

In the 2008 fiscal year the District grew to 18,100 customers. Residential customers make up 93% of the customer count and generate 65% of the water sales, while the next largest group, commercial/multi-family users, account for only 5% of the customers but 24% of the revenue.

MDWID's ongoing Capital Improvement Program (CIP) has provided additional water storage, improved water distribution systems and replaced outdated and undersized water mains. The District was granted a $15.375 million loan with the Water Infrastructure Finance Authority of Arizona (WIFA) in October 2005 for the design and construction of six major capital projects. Through June 30, 2008, five of the proposed projects have been completed, including the 5 million gallon underground James M Tripp Reservoir that was dedicated on March 26, 2008. On November 9, 2007, WIFA approved the second phase of District's $28 million CIIP with a loan in the amount of $12.625 million. There are two transmission mains, five mainline projects and the drilling of a new well scheduled to be constructed from this funding.

Summary of Net Assets

MDWID's combined net assets went up 8.0% over the prior year as compared to a 10.8% increase between 2005-06 and 2006-07. The 2007-08 net assets of $29.1 million reflects a $2.2 million increase from the previous year. The addition to the net assets was comprised of $1.6 million in net income and $.6 million in capital assets contributed to the District.

The net income figure decreased by $.4 million from 2006-07 as the operating and non-operating expenditures increased greater than the operating revenues, despite a 6.3% increase in water rates as of November 1, 2007. The contributed assets are from developers constructing water systems and service lines for their building projects and then contributing these assets back to the District. The value of such contributed assets in 2007-08 was $613,942.

The table below is a summary of the Net Assets for fiscal years 2008, 2007, and 2006:

	June 30, 2008	June 30, 2007	June 30, 2006
Current assets	$ 6,455,234	$ 6,180,044	$ 6,550,411
Restricted cash and investments	4,222,707	4,034,579	3,903,914
Capital assets, net of accumulated depreciation	65,818,288	61,606,329	52,481,484
Deferred bond issue costs	1,052,365	992,691	1,072,611
Regulatory asset	8,832,802	6,249,652	6,640,252
Total assets	$ 86,381,396	$ 79,063,295	$ 70,648,672
Current liabilities	$ 6,173,468	$ 5,595,270	$ 4,744,925
Long-term debt outstanding	51,084,528	46,514,808	41,585,900
Total liabilities	$ 57,257,996	$ 52,110,078	$ 46,330,825
Invested in capital assets, net of related debt	$ 16,704,052	$ 12,801,070	$ 9,427,157
Restricted for:			
Debt service	3,010,854	2,925,179	2,816,730
Capital projects	1,211,853	1,109,400	1,087,184
Unrestricted	8,196,641	10,117,568	10,986,776
Total net assets	$ 29,123,400	$ 26,953,217	$ 24,317,847

Summary of Revenues, Expenses and Changes in Net Assets

Operating Revenues

Total operating revenues for 2007-08 amounted to $13.5 million, which is $.7 million greater than last fiscal year. Metered water sales of $12.4 million accounted for the majority of the operating revenues. As previously noted, the water sales were impacted by a 6.3% increase in water rates that was implemented as of November 1, 2007. This increase was aimed at providing 4.0% for debt service requirements and 2.3% to help with the increasing operating expenditures.

Despite the number of meter applications dropping from 201 in 2006-07 to 152 in 2007-08 the Development revenues remained constant with the 2007-08 figure of $666,877 being only $14,152 under the previous year.

All other revenue sources for the District amounted to $.4 million for the 2007-08 fiscal year. These income sources included service charges and penalties, fees from Pima County Wastewater Management for billing sewer charges, engineering plan fees and other miscellaneous revenues.

Operating Expenses

Operating expenses were $9.3 million in 2007-08, which is $.8 million more than the 2006-07 figure and $1.0 million greater than the $8.3 million expended in 2005-06. At $3.3 million, Salaries and employee benefits is the District's largest expenditure, making up 35.8% of the total operating expenses. At the end of 2007-08 MDWID had 52 full time positions, one part-time position and two interns.

Depreciation expense grew to $2.2 million as compared to the $1.7 million in 2006-07 due to several of the large CIP construction projects being placed in service over the last two years. Purchased Central Arizona Project (CAP) water continues to be a major expenditure for MDWID with the 2007-08 cost being $1.2 million, up $.3 million over last year. All of the other expense categories totaled $1.8 million, which is a slight drop over the previous two years.

Non-Operating Revenues/Expenses

The total net non-operating revenues/expenses for 2007-08 were ($2.6) million, $.3 million greater than for both 2006-07 and 2005-06. Investment income increased from $225,311 in 2005-06 and $377,096 for 2006-07 up to the current fiscal year figure of $429,410. There also was $4,387 of recovered funds from a bankruptcy that occurred with an investment the District had as part of the Local Government Investment Pool through the Arizona State Treasurer.

For the non-operating expenses, bond interest makes up the bulk of this category. In 2007-08 the interest expense on debt was $2.2 million for the year as dictated by the bond and loan amortization schedules. Other expenses include the amortization of the MDWID's regulatory asset that was $466,850 this year up from $390,600 in the prior years. This increase was due to the amortization of 4,602 acre feet of additional Central Arizona Project water the District was granted that will cost $3,050,000 plus interest over a five year period. There was also a $109,964 loss on the disposal of property, plant and equipment from the sale of District vehicles and the abandonment of water mains/service lines due to replacement as part of the CIP.

Summary of Revenues, Expenses and Changes in Net Assets (continued)

Although operating revenues rose by $.6 million over the prior year, increases in operating revenues of $.7 million and $.3 million in non-operating expenses left the District with Income before capital contributions at $1,556,241. This figure is $444,738 below last year's income level of $2,000,979 and over $1 million less than the $2,593,299 earned in 2005-06.

The $.6 million in capital assets that were contributed to MDWID during 2007-08 along with the $1.6 million in income accounted for the one year increase of $2.2 million in net assets. This is $.4 million below the change in net assets for 2006-07 of $2.6 million.

The following table shows a comparison of the revenues and expenses and change in net assets for fiscal years ended June 30, 2008, June 30, 2007 and June 30, 2006:

	June 30, 2008	June 30, 2007	June 30, 2006
Metered sales	$ 12,383,950	$ 11,772,204	$ 11,911,546
Development revenue	666,877	681,029	921,947
Other water revenue	404,340	381,225	334,418
Total operating revenue	13,455,167	12,834,458	13,167,911
Purchased power	813,470	757,984	950,022
Purchased CAP water	1,192,011	918,189	873,519
Salaries and employee benefits	3,321,083	3,277,772	3,052,365
Other operating expenses	1,753,617	1,881,125	1,858,429
Depreciation expense	2,193,166	1,684,533	1,524,643
Total operating expenses	9,273,347	8,519,603	8,258,978
Operating income	4,181,820	4,314,855	4,908,933
Investment income	429,410	377,096	225,311
Gain on LGIP Investment	4,387	55,218	105,906
Loss in disposal of property, plant and equipment	(109,964)	(62,719)	(14,948)
Amortization of regulatory asset	(466,850)	(390,600)	(390,600)
Amortization deferred bond issue costs	(86,758)	(49,460)	(23,147)
Interest expense	(2,395,804)	(2,243,411)	(2,218,156)
Total non-operating revenues (expenses)	(2,625,579)	(2,313,876)	(2,315,634)
Income before capital contributions	1,556,241	2,000,979	2,593,299
Capital contributions	613,942	634,391	2,876,510
Increase in net assets	2,170,183	2,635,370	5,469,809
Net assets, beginning of year	26,953,217	24,317,847	18,848,038
Net assets, end of year	$ 29,123,400	$ 26,953,217	$ 24,317,847

Capital Assets

As of June 30, 2008, the District had $86.4 million in total assets. This included $65.8 million of capital assets, net of depreciation. Due to the construction in progress and completed projects from the Capital Improvement Program, the total assets are $7.3 million higher than the 2006-07 figure of $79.1 million.

Major additions for completed projects in 2007-08 consisted of the James M Tripp Reservoir that was formally dedicated to the community on March 26, 2008, the Northeast Booster Station and three transmission mains (First Avenue, Paseo Del Norte and Sabino Vista area).

Also included in the total assets is $8.8 million for the regulatory assets of the District. The original portion of this asset was created as a result of the $12.9 million settlement along with the related note payable due to the City of Tucson. As part of the 2002 Series bond issue, the note payable to the City of Tucson was paid in full and the regulatory asset was reduced by $920,103, as discounted by the City of Tucson. This portion of the regulatory asset is being amortized at a rate of $390,600 per year. In the 2007-08 fiscal year, the District entered into an agreement with Central Arizona Project for the rights of 4,602 acre feet of additional CAP water at a cost of $3.05 million plus interest. This principal amount was recorded as a regulatory asset and is being amortized over the remaining life of the other regulatory assets.

Debt Administration for Capital Improvement Program

On March 11, 1997, MDWID residents overwhelmingly voted to approve authorization of a $23 million bond program for the District's five-year CIP. In 1999, the District issued $13 million in Water Revenue Bonds with the remaining $10 million of the authorized bonds being issued as part of the Series 2002 Bonds. All of the projects scheduled for the two bonds have been completed and at the end of 2007-08 there was $169,000 of funds remaining from the $23 million authorized to take care of a pending issue with one of the projects within the CIP.

Another $28 million in debt was authorized by District voters on March 8, 2005 for the ongoing CIP. From this authorization the District was granted a $15.375 million loan with WIFA in October 2005 for the design and construction of six major capital projects. Through June 30, 2008 all but one of the projects has been completed. On November 9, 2007, WIFA approved the second phase of the CIIP with a loan in the amount of $12.625 million. There are two transmission mains, five mainline projects and the drilling of a new well that will be constructed under this 2007 loan.

Long-Term Debt Obligations

At year-end, the District had $51.1 million in long-term bonds and notes outstanding versus $46.5 million last year. This increase is attributed to the funds that were drawn on the WIFA loans, less the current portion of debt service payments on the principal balance for the bonds and loans. Besides the senior debt the District has incurred for the CIP, on January 14, 2002 the Board of Directors approved the Subordinate Obligation Revenue Refunding Bonds, Series 2002 totaling $14.85 million, which funded the prepayment of the District's obligations under a settlement with the City of Tucson plus the District's obligation under a 1998 Lease-Purchase Agreement with Metropolitan Domestic Water Improvement District Municipal Property Corporation, to construct administrative buildings, and reimburse the cost of the Herb Johnson Reservoir. By refinancing this debt, the District saved approximately $1.1 million over the life of the bonds.

Factors for the 2008-09 Budget

The following factors were considered in preparing the Metropolitan Domestic Water Improvement District budget for the 2008-09 fiscal year:

- The Beginning Operating Fund Balance for 2008-09 was budgeted at $3.06 million, which is $376,000 higher than the 2007-08 projection.
- Total Operating Revenues are projected to be $14.99 million, up $1.28 million over the budget for 2007-08 of $13.71 million.
- A 4% increase in the base rate and four commodity tiers is scheduled for November 1, 2008 to help cover the debt service requirements. Factoring in the 4% increase in rates, metered water sales were budgeted at a record high $13.06 million, $676,000 greater than the 2007-08 actual water sales revenue.
- Total Operating Expenditures are budgeted $735,000 higher than the prior fiscal year.
- Salaries and Benefits for staff show an increase of $407,000. Salaries have been projected to go up based on anticipated merits and a cost of living adjustment, plus the implementation of a longevity pay program and an incentive pay program. There is also a new Electrician position budgeted for 2007-08. Health Insurance costs for employees are showing an increase of $46,594 over last year.
- CAP Water Purchase was budgeted at $1.55 million, which is an increase of $110,000 over the prior year budget. The District is still budgeting $400,000 a year to fund the purchase of 4,602 additional acre feet to be reallocated by the Central Arizona Project.
- Total Operating Expenditures were offset by a projected reimbursement for salaries in the amount of $481,000. This is for in-house services by staff on CIP projects that will be reimbursed with funds from the WIFA loan.
- Debt service totals are expected to be $6.1 million, based on the amortization schedules for the 1999 and 2002 bonds plus the 2005 and 2007 WIFA loans.
- Capital projects funded with operating monies have been budgeted at $2.25 million. There is another $1.2 million of needed projects identified but which are unfunded at this time.
- As standard practice, funds have been budgeted under a Contingency Fund for emergencies. In 2007-08 this contingency amount is $500,000, which is the same as the 2007-08 budget.

Contacting the District Office

This management report is designed to provide our customers, consultants and financial advisors with a general overview of the District's finances and to show the District's accountability for the revenue it receives. If you have any questions about this report or need additional information, contact the Chief Financial Officer at Metro Water District, 6265 N. La Canada Dr., Tucson, Arizona 85704 or call (520) 575-8100.

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	$ 4,040,253	$ 3,862,849
Trade accounts receivable, net of allowance	1,285,889	1,435,747
Unbilled water revenue	546,992	485,301
Inventory, at cost	337,805	244,190
Prepaid expenses	195,596	93,009
Other receivables	27,054	25,014
Other assets	21,645	33,934
Total current assets	6,455,234	6,180,044
NONCURRENT ASSETS		
Restricted cash and cash equivalents	2,069,695	1,937,963
Restricted investments	2,153,012	2,096,616
Capital assets, net of accumulated depreciation	63,740,808	50,413,093
Capital assets not being depreciated	2,077,480	11,193,236
Other noncurrent assets:		
Deferred bond issue costs, net	1,052,365	992,691
Regulatory assets	8,832,802	6,249,652
Total noncurrent assets	79,926,162	72,883,251
Total assets	86,381,396	79,063,295

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	493,112	413,023
Accrued liabilities	883,177	1,057,381
Deposits payable	342,550	357,630
Other liabilities	242,270	249,947
Notes payable, current portion	1,143,931	738,973
Payable from restricted assets:		
Accrued interest on bonds payable	633,428	443,316
Current maturities of bonds payable	2,435,000	2,335,000
Total current liabilities	6,173,468	5,595,270
LONG-TERM LIABILITIES		
Bonds payable, net of discount and valuation, less current portion	35,110,614	37,483,135
Notes payable, less current portion	15,973,914	9,031,673
Total long-term liabilities	51,084,528	46,514,808
Total liabilities	57,257,996	52,110,078

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF NET ASSETS (CONTINUED)
June 30, 2008 and 2007

	2008	2007
NET ASSETS		
Invested in capital assets net of related debt	$ 16,704,052	$ 12,801,070
Restricted for:		
Debt service	3,010,854	2,925,179
Capital projects	1,211,853	1,109,400
Unrestricted	8,196,641	10,117,568
TOTAL NET ASSETS	$ 29,123,400	$ 26,953,217

The accompanying notes are an integral part of the financial statements.

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Metered water sales	$ 12,383,950	$ 11,772,204
Service charges and penalties	195,368	190,940
Development revenues	666,877	681,029
Other water revenue	208,972	190,285
Total revenues	13,455,167	12,834,458
OPERATING EXPENSES		
Salaries and employee benefits	3,321,083	3,277,772
Materials and supplies	410,704	447,174
Purchased power	813,470	757,984
Purchased CAP water	1,192,011	918,189
Contract service	600,906	719,828
Insurance and taxes	74,672	153,937
Other operating expenses	667,335	560,186
Depreciation	2,193,166	1,684,533
Total operating expenses	9,273,347	8,519,603
Operating income	4,181,820	4,314,855
NON-OPERATING REVENUES (EXPENSES)		
Investment income	429,410	377,096
LGIP investment income	4,387	55,218
Loss on disposal of property and equipment	(109,964)	(62,719)
Amortization of regulatory asset	(466,850)	(390,600)
Amortization of deferred bond issue costs	(86,758)	(79,920)
Interest expense	(2,395,804)	(2,212,951)
Net non-operating expenses	(2,625,579)	(2,313,876)
Income before capital contributions	1,556,241	2,000,979
CAPITAL CONTRIBUTIONS	613,942	634,391
INCREASE IN NET ASSETS	2,170,183	2,635,370
NET ASSETS, BEGINNING OF YEAR	26,953,217	24,317,847
NET ASSETS, END OF YEAR	$ 29,123,400	$ 26,953,217

The accompanying notes are an integral part of the financial statements.

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 13,526,214	$ 12,715,813
Cash payments to suppliers of goods and services	(4,838,788)	(4,124,836)
Cash payments to employees for services	(2,527,098)	(2,494,182)
Net cash provided by operating activities	6,160,328	6,096,795
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	(5,901,147)	(10,237,708)
Proceeds from notes payable	5,783,623	8,714,447
Repayment of bond	(2,335,000)	(2,240,000)
Interest paid on bonds and notes	(2,289,645)	(2,190,168)
Repayment of notes payable	(1,486,424)	(922,205)
Net cash used in capital and related financing activities	(6,228,593)	(6,875,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	429,410	377,096
LGIP investment income	4,387	55,218
Purchases of investments	(56,396)	(18,264)
Net cash provided by investing activities	377,401	414,050
NET DECREASE IN CASH AND CASH EQUIVALENTS	309,136	(364,789)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,800,812	6,165,601
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,109,948	$ 5,800,812

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2008 and 2007

	2008	2007
CONSISTS OF:		
Cash and cash equivalents	$ 4,040,253	$ 3,862,849
Restricted cash and cash equivalents	2,069,695	1,937,963
	$ 6,109,948	$ 5,800,812
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Net appreciation in fair market value of investments	$ 47,428	$ 46,401
Amortization of premiums and discounts	$ 14,976	$ 34,751
Amortization of regulatory asset	$ 466,850	$ 390,600
Amortization of losses on advance refunding	$ (77,455)	$ (82,532)
Acquisition of regulatory asset from issuance of long-term note	$ 3,050,000	$ -
Acquisition of capital assets from capital contributions	$ 613,942	$ 634,391
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 4,181,820	$ 4,314,855
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,193,166	1,684,533
Effects of changes in operating assets and liabilities:		
Trade accounts receivable	149,858	(158,194)
Unbilled water revenue	(61,691)	(12,072)
Inventory	(93,615)	28,990
Prepaid expenses	(102,587)	43,411
Other receivables	(2,040)	(9,994)
Other assets	12,289	1,036
Accounts payable	80,089	(615,016)
Accrued liabilities	(174,204)	668,251
Deposits payable	(15,080)	61,615
Other liabilities	(7,677)	89,380
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,160,328	$ 6,096,795

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Domestic Water Improvement District ("MDWID" or the "District") of Pima County, Arizona was formed on July 7, 1992 by the Pima County Board of Supervisors (PCBOS) pursuant to the provisions of Title 48, Chapter 6, Articles 1 through 4, Arizona Revised Statutes, as amended. MDWID was formed for the purpose of purchasing from the City of Tucson, Arizona a water system and operating such a system.

The District's basic financial statements conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and related pronouncements. Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues, and unamortized debt expense reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

- *Restricted* – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

- The financial statements of the District are prepared under the accrual basis of accounting using the flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred. The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

The following is a summary of the more significant policies:

Use of Estimates in Preparing Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The financial statements of Metropolitan Domestic Water Improvement District ("MDWID" or "the District") include all the operations of MDWID that are within the powers of the District's Board of Directors.

Proprietary Fund Accounting

The accounts of MDWID are organized as an Enterprise Fund (a proprietary type fund). Enterprise Funds are used to account for business-type activities that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statements of net assets. Net assets are segregated into components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

In accordance with Government Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* only those applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989 are applied unless those pronouncements conflict with or contradict GASB pronouncements.

Deposits and Investments

MDWID's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize MDWID to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments are reported at fair value, as required by GASB Statement No. 31. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable
Accounts receivable are for charges for services. An allowance for doubtful accounts is not provided because the uncollectible amounts were determined to be immaterial.

Inventory
Inventories, which consist primarily of water meter and water pump parts, pipes, and other repair parts, are stated at the lower of cost or market with cost being estimated on a first-in first-out (FIFO) method.

Capital Assets
Additions to property, plant, and equipment are recorded at cost or, if contributed, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property, plant and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

• Reservoirs, transmission and distribution mains, hydrants, and valves	50-55 years
• Structures, buildings, and improvements	40 years
• Wells, pumping equipment, water treatment equipment, and meters	25-30 years
• Other plant equipment	15-25 years
• Office furniture, equipment, and vehicles	5-15 years

Deferred Bond Issue Costs
The deferred bond issue costs and certain other assets are amortized using the straight-line method over 20 years.

Compensated Absences
The District's personnel policy provides full-time employees with annual leave and sick leave in varying amounts, and at termination, an employee is paid for accumulated (vested) annual leave and long-term employees are also paid for sick leave as noted below. Accordingly, compensation for annual leave is charged to expense as earned by the employee, and accumulated unpaid annual leave and qualifying sick leave, which is payable upon an employee's termination, is recorded as a current liability.

Accrued sick leave is paid out to certain employees upon termination based on completion of at least 10 years of service. Terminating employees receive 50% of their accrued sick leave balance after 10 years of service, 75% after 15 years of service, and 100% after 20 years of service.

Unamortized Debt Discount or Premium and Expense
Debt discount or premium and expense are amortized using the interest method over the periods of the applicable issues.

Unamortized Gains and Losses on Advance Refunding of Long-Term Debt
Recognition of gains and losses realized on advance refunding of long-term debt is deferred and amortized over the life of the related refunding issues using the interest method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes
The District is a governmental agency organized under the laws of the State of Arizona and is not subject to federal or state income taxes.

Operating and Nonoperating Revenues and Expense
Operating revenues include the sales of water and other operating revenues such as service charges and development revenues. Operating expense includes power and water purchases and other costs to operate and maintain the District's water system, including salaries, materials and supplies, contract services, insurance and taxes, depreciation, and other operating expenses. Nonoperating revenues include interest income and increases in fair value of investments. Nonoperating expenses include interest, amortization of regulatory assets, losses on asset disposition, and amortization of bond-related expenses.

Reclassifications
Certain reclassifications have been made to the 2007 financial statement amounts to correspond to the current year's presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 2 – CASH AND CASH EQUIVALENTS

As of June 30, 2008 and 2007, MDWID had the following investments:

	2008	2007
U.S. Government Agency Securities	$ 2,153,012	$ 2,096,616

Interest rate risk. In accordance with Arizona statutes and its investment policy, MDWID manages its exposure to declines in fair values by limiting the maturity of investments to a maximum of five years. Operating funds are limited to three years.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two top ratings issued by nationally recognized statistical rating organizations (NRSRO). MDWID's investment policy incorporates these limits by reference to state law.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of bank failure, MDWID's deposits may not be returned to it. MDWID does not have a deposit policy for custodial credit risk. As of June 30, 2008, $2,170,696 of MDWID's bank balances of $5,735,812 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2007, $2,029,772 of MDWID's bank balances of $5,800,812 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of failure of the counterparty, MDWID will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. MDWID's policy is to secure its investments through third party custody and safekeeping procedures with an institution designated as the primary agent. The primary agent issues a safekeeping receipt listing the specific instrument, the interest rate, the maturity, the CUSIP number, and other pertinent information.

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

The above fair market values of deposits and investments are summarized on the accompanying statements of net assets as follows:

	2008	2007
Total deposits	$ 6,109,948	$ 5,800,812
Total investments	2,153,012	2,096,616
Total deposits and investments	$ 8,262,960	$ 7,897,428

Summary of cash and cash equivalents and non-cash equivalents is as follows:

Per statements of net assets:	2008	2007
Cash and cash equivalents	$ 4,040,253	$ 3,862,849
Restricted cash	2,069,695	1,937,963
Total investments	2,153,012	2,096,616
Total deposits and investments	$ 8,262,960	$ 7,897,428

MDWID revenues are deposited with the Pima County Treasurer and transfers are made to an operating bank account for necessary cash disbursements.

Restricted cash for the bond funds is deposited with the bond trustee. In accordance with the bond ordinance and trustee agreement, the restricted cash is invested in bonds or other indebtedness, guaranteed by the U.S. Government. The monies are invested in permitted investments maturing on or prior to the dates when the funds invested will be needed to pay principal and interest on the bonds.

NOTE 3 – COMPONENTS OF RESTRICTED CASH AND INVESTMENTS

The 1999 and 2002 ordinances authorizing the water revenue and refunding bonds requires that the Chief Financial Officer shall create the following special funds and accounts to be held in trust and expended as follows:

Revenue Fund – So long as any bonds are outstanding and unpaid either as to principal, accreted value or as to interest, the entire revenues shall be deposited as collected with a depository, and shall be held in the custody of the Chief Financial Officer of the District in the Revenue Fund. Under the Senior Bond Resolution and the Subordinate Bond Resolution, the Revenue Fund shall be disbursed as hereinafter authorized in the following order:

a **Operation and Maintenance Fund** – On or before the tenth of each month an amount that, together with any money already on deposit in said fund, will be sufficient to pay operating expenses for said month. Money in the Operation and Maintenance Fund shall be used only for the payment of operating expenses.

NOTE 3 – COMPONENTS OF RESTRICTED CASH AND INVESTMENTS (CONTINUED)

b **Senior Bond Fund** – On or before the twenty-fifth day of each month, to the "Senior Bond Fund," the following deposits will be made:

- Commencing February 25, 2002 through June 25, 2002, one-fifth of the amount which, when added to accrued interest received from the 2002 Senior Bonds coming due on July 1, 2002, will be sufficient to pay interest coming due on the 2002 Senior Bonds, and one-sixth of the amount of interest coming due on July 1, 2003 on the 1999 Senior Bonds. Thereafter, to the Senior Bond Fund one-sixth of the interest payable on all of the Senior Bonds on the next interest payment date.

- Commencing February 25, 2002 through December 25, 2002, one-eleventh of the amount which will be sufficient to pay principal on the 2002 Senior Bonds coming due January 1, 2003, and one-twelfth of the amount of which will be sufficient to pay principal on the 1999 Senior Bonds coming due January 1, 2003. Thereafter, one-twelfth of the principal or matured accreted value becoming due on the next succeeding principal payment date on all of the senior bonds then outstanding.

c **Senior Reserve Fund Guarantor Reimbursement Fund** – Moneys in this fund shall be used only to reimburse senior reserve fund guarantors for senior bond policy costs resulting from drawdowns. There were no required balances in this fund as of June 30, 2008 and 2007.

d **Senior Reserve Fund** – On or before the tenth day of each month, to the senior bond reserve fund an amount equal to one-twelfth of the amount required to increase or restore the senior bond reserve fund value to the senior reserve requirement within a one year period, or such amount as is required hereunder to restore the senior bond reserve fund to the senior bond reserve requirement after a senior bond reserve drawdown.

e **Repair and Replacement Fund** – After all payments required in 1. a.) through d.) above have been made in each month, there shall be transferred to this fund not less than $8,500 per month until the fund reaches $800,000.

f **Subordinate Obligation Bond Fund** – On or before the twenty-fifth day of each month, to the "Subordinate Obligation Bond Fund," the following deposits will be made:

- Commencing February 25, 2002 through June 25, 2002, one-fifth of the amount which, when added to accrued interest received from the 2002 Subordinate Bonds coming due on July 1, 2002, will be sufficient to pay interest coming due on the 2002 Subordinate Bonds, and each month thereafter, one-sixth of the amount of interest coming due on all of the Subordinate Obligation Bonds on the next interest payment date.

- Commencing July 25, 2003, one-twelfth of the principal or matured accreted value becoming due on the next succeeding principal payment date on all of the subordinate bonds then outstanding.

NOTE 3 – COMPONENTS OF RESTRICTED CASH AND INVESTMENTS (CONTINUED)

g **Subordinate Reserve Fund Guarantor Reimbursement Fund** – Moneys in this fund shall be used only to reimburse subordinate bond reserve fund guarantors for subordinate bond policy costs resulting from drawdowns. There were no required balances in this fund as of June 30, 2008 and 2007.

h **Subordinate Reserve Fund** – On or before the twenty-fifth day of each month, to the subordinate bond reserve fund an amount equal to one-twelfth of the amount required to increase or restore the subordinate bond reserve fund value to the subordinate reserve requirement within a one year period, or such amount as is required hereunder to restore the subordinate bond reserve fund to the subordinate bond reserve requirement after a subordinate bond reserve drawdown.

i Any remaining net proceeds available for subordinate bond debt service shall be first applied to pay the Hub Purchase Agreement and any other subordinate obligations having an inferior lien and claim on the net revenues.

j All money remaining in the revenue fund after all of the payments required in 1. a) through i) above have been made, shall be regarded as surplus and may be used for any lawful purpose of the District.

k The money in the revenue fund shall be allotted and paid into the various Funds in the order in which said funds are listed and if any money in the revenue fund is insufficient to place the required amount in any of the said funds, the deficiency shall be made up in the following month or months after payment into all funds enjoying a prior claim to the revenues has been met in full.

Additionally, the unspent proceeds of the 2002 Water Revenue and Refunding Bonds are maintained with the State Treasurer and are restricted to disbursements related to projects designated by the bond issue.

	June 30, 2008				
	Unspent Proceeds of 2002 Issue	Bond Funds	Reserve Funds	Repair and Replacement Funds	Total
Cash	$ 174,229	$ 1,437,454	$ 350,835	$ 107,177	$ 2,069,695
U.S. government securities	-	-	1,222,564	930,448	2,153,012
Total	$ 174,229	$ 1,437,454	$ 1,573,399	$1,037,625	$ 4,222,707

NOTE 3 – COMPONENTS OF RESTRICTED CASH AND INVESTMENTS (CONTINUED)

	June 30, 2007				
	Unspent Proceeds of 2002 Issue	Bond Funds	Reserve Funds	Repair and Replacement Funds	Total
Cash	$ 234,147	$ 1,439,240	$ 57,263	$ 207,313	$ 1,937,963
U.S. government securities	-	-	1,428,676	667,940	2,096,616
Total	$ 234,147	$ 1,439,240	$ 1,485,939	$ 875,253	$ 4,034,579

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	June 30, 2007 Balances	Increases	Decreases	June 30, 2008 Balances
Capital assets not being depreciated:				
Land	$ 1,068,124	$ -	$ (117,600)	$ 950,524
Construction in progress	10,125,112	6,768,686	(15,766,842)	1,126,956
Total capital assets not being depreciated	11,193,236	6,768,686	(15,884,442)	2,077,480
Capital assets being depreciated:				
Water systems	58,598,412	14,635,758	(112,000)	73,122,170
Building and improvements	2,030,494	688,958	-	2,719,452
Vehicles, machinery, and equipment	2,867,796	321,260	(328,895)	2,860,161
Total capital assets being depreciated	63,496,702	15,645,976	(440,895)	78,701,783
Less accumulated depreciation for:				
Water systems	10,621,953	1,840,110	(19,019)	12,443,044
Building and improvements	358,013	65,925	-	423,938
Vehicles, machinery, and equipment	2,103,643	283,986	(293,636)	2,093,993
Total accumulated depreciation	13,083,609	2,190,021	(312,655)	14,960,975
Total capital assets being depreciated, net	50,413,093	13,455,955	(128,240)	63,740,808
Capital assets, net of depreciation	$ 61,606,329	$ 20,224,641	$(16,012,682)	$ 65,818,288

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2007, was as follows:

	June 30, 2006 Balances	Increases	Decreases	June 30, 2007 Balances
Capital assets not being depreciated:				
Land	$ 1,060,974	$ 7,150	$ -	$ 1,068,124
Construction in progress	3,414,843	10,171,354	(3,461,085)	10,125,112
Total capital assets not being depreciated	4,475,817	10,178,504	(3,461,085)	11,193,236
Capital assets being depreciated:				
Water systems	54,748,619	3,976,331	(126,538)	58,598,412
Building and improvements	2,026,495	3,999	-	2,030,494
Vehicles, machinery, and equipment	2,693,448	174,348	-	2,867,796
Total capital assets being depreciated	59,468,562	4,154,678	(126,538)	63,496,702
Less accumulated depreciation for:				
Water systems	9,312,083	1,373,689	(63,819)	10,621,953
Building and improvements	309,185	48,828	-	358,013
Vehicles, machinery, and equipment	1,841,627	262,016	-	2,103,643
Total accumulated depreciation	11,462,895	1,684,533	(63,819)	13,083,609
Total capital assets being depreciated, net	48,005,667	2,470,145	(62,719)	50,413,093
Capital assets, net of depreciation	$ 52,481,484	$ 12,648,649	$ (3,523,804)	$ 61,606,329

Depreciation expense was $2,193,166 and $1,684,533 for the years ended June 30, 2008 and 2007, respectively.

NOTE 5 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2008 and 2007 are as follows:

	June 30, 2007	Increases	Decreases	June 30, 2008
Bonds	$ 40,285,000	$ -	$ 2,335,000	$ 37,950,000
Unamortized premiums	375,053	-	32,336	342,717
Unamortized discount	(113,815)	17,360	-	(96,455)
Refunding valuations	(728,103)	77,455	-	(650,648)
Notes	9,770,646	8,833,624	1,486,425	17,117,845
	$ 49,588,781	$ 8,928,439	$ 3,853,761	$ 54,663,459

	June 30, 2006	Increases	Decreases	June 30, 2007
Bonds	$ 42,525,000	$ -	$ 2,240,000	$ 40,285,000
Unamortized premiums	427,164	-	52,111	375,053
Unamortized discount	(131,175)	17,360	-	(113,815)
Refunding valuations	(810,635)	82,532	-	(728,103)
Notes	1,978,404	8,714,447	922,205	9,770,646
	$ 43,988,758	$ 8,814,339	$ 3,214,316	$ 49,588,781

Debt service requirements on long-term debt at June 30, 2008 are as follows:

	Bonds		Notes	
Years Ending June 30,	Principal	Interest	Principal	Interest
2009	$ 2,435,000	$ 1,762,713	$ 1,337,547	$ 589,062
2010	2,540,000	1,657,423	1,161,670	537,823
2011	2,650,000	1,548,801	1,180,268	486,240
2012	2,765,000	1,433,752	1,200,180	433,508
2013	2,885,000	1,311,683	566,256	379,783
2014 – 2018	17,735,000	4,251,291	5,128,099	1,469,940
2019 – 2023	6,940,000	606,739	5,278,791	637,828
2024 – 2025	-	-	1,265,034	40,711
	$ 37,950,000	$ 12,572,402	$ 17,117,845	$ 4,574,895

NOTE 6 – BONDS PAYABLE

Water revenue and refunding bonds payable at June 30 are comprised of the following individual issues:

	2008	2007
$24,855,000 – Metropolitan Domestic Water District of Pima County, Water Revenue and Refunding Bonds, Series 2002, due in annual installments varying from $225,000 to $1,800,000 through July 1, 2023; interest rate is variable from 2.9% to 5.25%.	$ 19,800,000	$ 20,860,000
$27,985,000 – Metropolitan Domestic Water Improvement District of Pima County, Water Revenue and Refunding Bonds, Series 1999, due in annual installments varying from $210,000 to $2,025,000 through January 1, 2019; interest rate is variable from 3.700% to 4.875%.	18,150,000	19,425,000
	37,950,000	40,285,000
Less unamortized discount	(96,455)	(113,815)
Less valuation account	(650,648)	(728,103)
Plus unamortized premiums	342,717	375,053
Net water revenue and refunding bonds	37,545,614	39,818,135
Less current maturities	(2,435,000)	(2,335,000)
Total	$ 35,110,614	$ 37,483,135

On March 11, 1997, MDWID residents voted to approve authorization of a $23 million bond program. The bonds will fund the District's five-year Capital Improvement Program (CIP). The five-year CIP includes construction of 75,000 feet of transmission mains, design of a storage facility, drilling of at least three new wells and acceleration of the main line replacement program to upgrade neighborhood water lines, including the installation of fire hydrants. In 1999, the District issued $13 million in Water Revenue Bonds. In 2002, the District issued the remaining $10 million in Water Revenue Bonds as part of the Series 2002 bonds.

In a resolution adopted by the Board on January 14, 2002, MDWID approved the authorization of the 2002 Senior bonds, which represented the final $10 million installment discussed above. In the same resolution, MDWID approved the Subordinate Obligation Revenue Refunding Bonds, Series 2002, totaling $14.855 million. The 2002 Subordinate Bonds will fund the prepayment of the District's obligations under a settlement with the City of Tucson and the District's obligations under a 1998 Lease-Purchase Agreement with Metropolitan Domestic Water Improvement District Municipal Property Corporation, relating to construction of administrative buildings, and reimbursement relating to a reservoir, and to purchase municipal bond insurance and pay issuance costs associated with the 2002 Subordinate Bonds.

NOTE 7 – NOTES PAYABLE

Notes payable at June 30 consist of the following:

	2008	2007
Note payable to Central Arizona Water Conservation District (CAWCD), due in annual installments of $674,703 through December 2011, including interest at 5.31%, secured by purchased assets from CAWCD.	$ 2,375,297	$ -
Note payable to HUB Water Company, Inc., due in monthly installments of $14,329 through June 2019, including interest at 6%, secured by the purchased assets of HUB Water Company, Inc.	1,374,441	1,461,335
Note payable to a finance company, due in monthly installments of $3,002 through March 2008, including interest of 3.95%, secured by equipment.	-	23,663
Note payable to a finance company, due in yearly installments through April 2008, including interest of 6.0%, secured by equipment.	-	27,904
Note payable to a finance company, due in yearly installments through April 2008, including interest of 6.0%, secured by equipment.	6,842	33,391
Note payable to a finance company, due in yearly installments through June 2012, including interest of 4.650%, secured by equipment.	41,028	-
Note payable to a finance company, due in yearly installments through March 2012, including interest of 5.950%, secured by equipment.	10,963	-
Note payable to a finance company, due in yearly installments through June 2012, including interest of 5.950%, secured by equipment.	42,209	-
Note payable to a finance company, due in yearly installments through December 2009, including interest of 5.250%, secured by equipment.	20,720	-

NOTE 7 – NOTES PAYABLE (CONTINUED)

	2008	2007
Loan payable to Water Infrastructure Financing Authority (WIFA), due in semi-annual payments through January 1, 2027; interest rate varies with a maximum of 3.031% per annum.	$ 181,310	$ -
Loan payable to Water Infrastructure Financing Authority (WIFA), due in semi-annual payments through January 1, 2025; interest rate varies with a maximum of 2.877% per annum.	13,065,035	8,224,353
	17,117,845	9,770,646
Less current maturities	(1,143,931)	(738,973)
Total	$15,973,914	$ 9,031,673

NOTE 8 – LINES OF CREDIT

The District maintains a revolving line of credit with Bank of America National Trust and Savings Association. At June 30, 2008 and 2007, the Organization had no outstanding balances and could borrow up to $1,000,000. Advances on the line of credit are payable on demand. The credit line is secured by all of the District's water revenues.

NOTE 9 – RETIREMENT PLAN

The District records its retirement plan in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. This statement requires the following disclosures:

- **Plan Description** – The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2.

  ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

- **Funding Policy** – The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rate. For the years ended June 30, 2008 and 2007, active plan members and the District were each required by statute to contribute at the actuarially determined rate of the members' annual covered payroll. This rate was 9.6% (9.1% retirement and .50% long-term disability) for 2007 and 9.1% (8.6% retirement and .50% long-term disability) for 2007. The District's contributions to the System for the years ended June 30, 2008 and 2007, were $269,914 and $242,295, respectively, which were equal to the required contributions for the year.

- **Required Transition-Year Disclosure** – The plan's pension liability at transition was determined in accordance with the provisions of GASB Statement No. 27 and was zero.

NOTE 10 – CONTRIBUTED CAPITAL

Capital assets contributed by land developers, consisting of construction of certain portions of conveyance systems, totaled $613,942 and $634,391 during the years ended June 30, 2008 and 2007, respectively, and are included in contributed capital on the statements of revenues, expenses, and changes in net assets.

NOTE 11 – REGULATORY ASSET

Pursuant to a settlement with the City of Tucson, the MDWID Board has ordered the capitalization of a regulatory asset. This asset was created as a result of the $12.9 million settlement along with the related note payable due to the City of Tucson. In accordance with generally accepted accounting principles under FASB 71, the regulatory asset was created due to the decision that current and future water rates will be set to be utilized to pay-off the settlement note payable. As part of the 2002 Series bond issue, the note payable to the City of Tucson was paid off in full and the regulatory asset was reduced by $920,103, the amount of the discount granted by the City of Tucson for advance payment of the note. The regulatory asset is being amortized on a straight-line basis over 21 years, the remaining financing period of the 2002 Series bond issue.

In November of 2007, MDWID acquired water rights valued at $3,050,000 through the issuance of a long-term note payable to the Central Arizona Water Conservation District (CAWCD). MDWID was allocated 4,602 acre-feet of additional CAP & M&I priority water rights from CAWCD. These rights are similar to those granted under the settlement agreement with the City of Tucson, and are being amortized on a straight-line basis over the remaining life of the other regulatory assets through 2023.

NOTE 12 – CONTINGENCIES

MDWID is periodically a party to various legal actions normally associated with governmental units and enterprise funds, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the District's financial condition.

Appendix "B"

(Profit & Loss Statements for Diablo Village Water Company and Thim Utility Co./E&T System, respectively, for 12-month period ended January 1, 2009)

DOCKET NO. W-02309A-09-____
DOCKET NO. W-03293A-09-____

11:41 AM
02/24/09
Accrual Basis

Diablo Village Water Company
Profit & Loss
January 31, 2008 through January 31, 2009

		Jan 31, '08 - Jan 31, 09
Ordinary Income/Expense		
Income		
Credit Card Service Charge		1,580.00
Interest Income		24.96
461 Metered Water Sales		518,092.67
471 Other Operating Revenue		
Establishment Fee	6,325.00	
Waste water reporting income	2,213.80	
Total 471 Other Operating Revenue		8,538.80
481 Meter sales		21,565.00
Total Income		549,801.43
Expense		
403 Depreciation Expense		52,167.00
610 Purchased Water		17,563.81
615 Purchased Power		23,554.48
618 Water Testing		1,082.00
620 Repairs and Maintenence		16,193.79
621 Office Supplies and Expense		
Bank Charges		
credit card processing fee	611.20	
Bank Charges - Other	15.00	
Total Bank Charges	626.20	
Paper/Forms/Envelopes	136.04	
621 Office Supplies and Expense - Other	-15.00	
Total 621 Office Supplies and Expense		747.24
630 Outside Services		
Accounting	5,417.75	
Contract Management		
Contract Maintenence	123,408.00	
Equipment Rental	104,614.15	
Contract Management - Other	87,462.00	
Total Contract Management	315,484.15	
630 Outside Services - Other	100.00	
Total 630 Outside Services		321,001.90
631 Rate Case Expense		2,961.92
655 General Insurance		33,335.86
675 Miscellaneous Expense		-656.35
680 Taxes other		
Sales Tax	26,191.12	
Total 680 Taxes other		26,191.12
681 Property Taxes		14,904.14
675 Miscellaneous Expense (fees		3,686.69
Total Expense		512,733.60
Net Ordinary Income		37,067.83
Net Income		37,067.83

11:40 AM
02/24/09
Accrual Basis

Profit & Loss
January 31, 2008 through January 31, 2009

		Jan 31, '08 - Jan 31, 09
Income		
Credit Card Service Charge		80.00
Operating Revenues		
461 Metered Water Sales	18,421.29	
Total Operating Revenues		18,421.29
Total Income		18,501.29
Expense		
615 Purchased Power		1,818.48
618 Water Testing		312.00
630 Outside Services		
Contract Management		
Contract Maintenence	7,053.65	
Equipment Rental	3,613.06	
Total Contract Management	10,666.71	
Total 630 Outside Services		10,666.71
675 Micsellanous fees		324.53
680 Taxes Other than Prop/Incom		
Sales Tax	984.48	
Total 680 Taxes Other than Prop/Incom		984.48
General Insurance		995.77
Other Expense		
Fees and Dues	35.04	
Total Other Expense		35.04
Total Expense		15,137.01
Net Income		3,364.28

11:37 AM
02/24/09
Accrual Basis

THIM UTILITY/E&T DIVISION
Profit & Loss
January 31, 2008 through January 31, 2009

			Jan 31, '08 - Jan 31, 09
Income			
470 Other Operating Revenues			
Establishment fee		325.00	
Total 470 Other Operating Revenues			325.00
credit card service charge			345.00
Interest Income			0.29
Operating Revenues			
461 Metered Water Sales		164,276.94	
Total Operating Revenues			164,276.94
Total Income			164,947.23
Expense			
610 Purchased Water			260.65
615 Purchased Power			9,752.97
618 Water Testing			217.00
620 Repairs and Maintenence			
Pumps and Supplies		701.42	
620 Repairs and Maintenence - Other		783.33	
Total 620 Repairs and Maintenence			1,484.75
621 Office Supplies and Expense			
Bank service fee			
Credit Card processing fee	157.21		
Bank service fee - Other	0.00		
Total Bank service fee		157.21	
621 Office Supplies and Expense - Other		-32.00	
Total 621 Office Supplies and Expense			125.21
630 Outside Services			
Contract Management			
Contract Maintenence	72,954.00		
Equipment Rental	30,867.72		
Total Contract Management		103,821.72	
Total 630 Outside Services			103,821.72
675 Micsellanous fees			1,201.22
680 Taxes Other than Prop/Incom			
Sales Tax		9,315.32	
Total 680 Taxes Other than Prop/Incom			9,315.32
681 Property Taxes			352.80
fees			147.26
General Insurance			10,898.32

11:37 AM
02/24/09
Accrual Basis

THIM UTILITY/E&T DIVISION
Profit & Loss
January 31, 2008 through January 31, 2009

	Jan 31, '08 - Jan 31, 09
Interest Expense	
Line Extension Interest	5,385.69
Loan from Robin	420.95
Total Interest Expense	5,806.64
Total Expense	143,383.86
Net Income	21,563.37

Appendix "C"

(Asset Purchase Agreement)

DOCKET NO. W-02309A-09-____
DOCKET NO. W-03293A-09-____

ASSET PURCHASE AGREEMENT
BETWEEN THE

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT AND THIM UTILITY CO., DIABLO VILLAGE WATER COMPANY, AND MR. ROBIN M. THIM, A MARRIED MAN DEALING WITH HIS SOLE AND SEPARATE PROPERTY

FOR THE PURCHASE AND SALE OF CERTAIN WATER UTILITY ASSETS

THIS ASSET PURCHASE AGREEMENT (this "Agreement") by and between Mr. Robin M. Thim, a married man dealing with his sole and separate property (on behalf of himself and his heirs and assigns) ("Thim"), THIM UTILITY CO. ("Utility"), an Arizona public service corporation, and DIABLO VILLAGE WATER COMPANY ("Diablo"), an Arizona public service corporation (individually and collectively referred to herein as "Seller"), and the METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT, a municipal corporation organized and existing under the laws of the State of Arizona, or its nominee or assignee ("Buyer"), is effective as of the 13th day of February, 2009 ("Effective Date").

RECITALS

A. Diablo, Thim and Utility are the owners of certain real estate, water wells, storage reservoirs, booster stations, transmission mains and distribution systems, and other rights and appurtenances comprising two (2) domestic water companies (including Goodwill) known as Diablo and Utility.

B. Diablo and Utility are the holders of Licenses from the Pima County Board of Supervisors and Certificates issued by the Arizona Corporation Commission, which Licenses and Certificates authorize each of them to engage as a public service corporation in the sale of water for domestic, commercial and other uses in the Certificated Areas, all as more specifically defined below.

C. Buyer is duly authorized by the laws of the State of Arizona to purchase or lease any plant or property or portion thereof devoted or which may be devoted to the business of providing water utility services within and without its district limits.

D. Seller desires to sell the Assets, as described herein, and Buyer desires to purchase the Assets, upon the terms and conditions set forth herein.

NOW THEREFORE, IN CONSIDERATION of the foregoing Recitals, and the mutual promises, covenants and agreements hereinafter contained, and each act of the parties hereto, the parties agree as follows:

AGREEMENT

Section 1. Definitions.

The following capitalized words used in this Agreement shall have the meanings set forth below:

Accounts Receivable: Any right for the payment to Seller for services or goods provided or rendered prior to Closing whether or not evidenced by an instrument or chattel paper, arising out of or in any way related to the Business.

Aid in Construction Agreements: All main or line extension agreements between Seller and third parties, being those included in **Exhibit "A"** hereto.

Assets: Collectively, the Real Property, Goodwill, Improvements, Equipment, Inventory, Contract Rights, Licenses, Certificates, Warranties and Guarantees, and Records owned and used by Seller in connection with the Business, to be sold by Seller and purchased by Buyer pursuant to this Agreement, as described on **Exhibit "B"** hereto; provided, however, Assets shall not include Accounts Receivable and cash on hand or in any bank/brokerage accounts at Closing.

Assignment and Assumption of Contract Rights and Intangibles: Those certain documents to be given by Seller to Buyer assigning all of Seller's interest in the Contract Rights, and the Buyer's assumption of all Seller's obligations under the Contract Rights, and assigning all of Seller's interest in the Goodwill, Licenses, Certificates, Warranties and Guarantees that are transferable to Buyer as defined below.

Bill of Sale: That certain document to be given by Seller to Buyer conveying all of Seller's interest in and to the Equipment, Inventory and Records as defined below.

Business: Those certain businesses known as Diablo and Utility which are currently owned by Thim and are engaged as public service corporations in the sale of water for domestic, commercial and other uses in the Certificated Areas pursuant to Certificates issued by the Arizona Corporation Commission ("ACC"), and other related services in connection therewith.

Buyer: METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT, a municipal corporation under the laws of the State of Arizona, or its nominee or assign.

Certificates: Those certain Certificates of Convenience and Necessity issued by the ACC in the Decisions listed on **Exhibit "C"** hereto, authorizing Seller to engage as a public service corporation in the sale of water for domestic, commercial and other uses in the Certificated Areas.

Certificated Areas: The areas set forth on **Exhibit "D"** in which each Seller conducts its Business, which areas are more particularly shown on the map(s) of the existing service area(s) attached hereto as **Exhibit "E",** which map(s) are for the purposes of showing the boundaries of the

Certificated Areas, size and extent of water mains and pipes, easements, and any other areas served by the Business.

Closing: That point in time when (a) all of Seller's obligations and Buyer's obligations hereunder have been fulfilled; (b) the Escrow Agent has received all required funds and documents from the parties; and (c) the Escrow Agent disburses the sale proceeds (except that portion described in Section 4.1.3 below) and records the Transfer Instruments as required by this Agreement.

Commitment: The Commitment for Title Insurance issued by Title Insurer for extended coverage title insurance showing status of title to the Real Property as of the date of the Commitment.

Contract Rights: The right to have services, goods or Equipment provided to the Business by third persons, including, without limitation, any leases of Equipment by Seller and the Aid in Construction Agreements.

Creditors: Any and all persons or entities to whom Seller owes money, goods or services.

Equipment: Tangible personal property, whether affixed or not to the Real Property, which has been acquired by or is under lease to Seller for use primarily in the Business, including but not limited to all equipment used in the operation of wells, storage reservoirs, booster stations, transmission mains and distribution systems, office equipment and motor vehicles, as listed in **Exhibit "F"** hereto.

Escrow Agent: Lawyers Title Agency of Arizona, LLC, c/o Pam Tighe, 1 South Church Avenue, Suite 2040, Tucson, Arizona 85701.

Feasibility Period: The period beginning upon the Opening of Escrow and ending on December 15, 2009.

Goodwill: The goodwill of the Business.

Improvements: Wells, storage reservoirs, booster stations, transmission mains and distribution systems, and any other structures or tangible property used by Seller in connection with its water utility operations as described on **Exhibit "B-1"**.

Inventory: Goods that are held by Seller as of the Closing for the treatment of water or otherwise used or consumed in the ordinary course of operating the Business.

Licenses: Those rights to use the public rights of way of Pima County granted to each Seller, as described on **Exhibit "B-2"**, which rights are to be transferred to Buyer at Closing.

Opening of Escrow: The date upon which a fully executed copy of this Agreement is delivered to the Escrow Agent.

Permitted Encumbrances: All matters of record approved in writing by Buyer during the Feasibility Period with respect to the Real Property.

Real Property: The real property legally described in **Exhibit "G"** hereto, including all well sites, storage reservoirs, booster stations, transmission mains and distribution systems located within the Certificated Areas, together with all the rights, easements, licenses and appurtenances pertaining thereto, including without limitation, any right, title and interest of Seller in and to adjacent streets, rights of way, and all Improvements located on or appurtenant thereto which are used by Seller in the Business.

Records: All of Seller's service agreements, service and repair records, water treatment records, hydrology and assured water supply studies and reports, Arizona Department of Water Resources ("ADWR") filings and correspondence, ACC filings and correspondence, Arizona Department of Environmental Quality ("ADEQ") filings and correspondence, customer data base information (including master file information, billing and payment histories, and complaints), meter reading information, and any other documents arising out of or in any way relating to the Business and the Assets, as described on **"Exhibit B-3"**.

Seller: Collectively referred to herein, "Seller" is constituted of (a) Robin M. Thim, a married man dealing with his sole and separate property, (b) Thim Utility Co., an Arizona public service corporation, and (c) Diablo Village Water Company, an Arizona public service corporation. The obligations of the three (3) selling entities are joint and several.

Title Insurer: Lawyers Title Insurance Corporation.

Transfer Instruments: Those instruments customarily required for the transfer of the Assets, including, but not limited to:

(i) Special Warranty Deed substantially in the form attached hereto as **Exhibit "J"** hereto;

(ii) Assignment and Assumption of Easements and Property Rights substantially in the form attached hereto as **Exhibit "K"**;

(iii) Assignment of Water Rights and Well Registrations substantially in the form attached hereto as **Exhibit "L"** hereto;

(iv) Affidavit of Value;

(v) Foreign Investment in Real Property Tax Act Affidavit;

(vi) Bill of Sale substantially in the form attached hereto as **Exhibit "H"**;

(vii) Assignment and Assumption of Contract Rights and Intangibles substantially in the form attached hereto as **Exhibit "I"**; and

(viii) Such other documents as Seller and Buyer may agree upon during the Feasibility Period or Escrow Agent may require in order to complete a transfer of the Assets in accordance with the requirements of the Commitment and the Title Requirements.

Warranties and Guarantees: Any and all existing written warranties and/or guarantees affecting the Improvements, or any features thereof and any personal property located therein or thereon, and any and all existing written warranties and/or guarantees affecting the Equipment, which shall be conveyed to Buyer at the Closing.

Section 2. Conveyance of Assets. Subject to the conditions and limitations set forth herein, Seller hereby agrees to sell and Buyer hereby agrees to purchase the Assets.

2.1 Equipment, Inventory and Records. The Equipment, Inventory and Records shall be conveyed at Closing by the execution and delivery by Seller of the Bill of Sale. The Bill of Sale for such items shall include a list identifying all Equipment, Inventory and Records and shall be substantially in the form of **Exhibit "H"** hereto,

2.2 Contract Rights; Goodwill, Licenses, Certificates, Warranties and Guarantees. The Contract Rights shall be assigned by Seller and assumed by Buyer, and the Goodwill, Licenses, Certificates, Warranties and Guarantees that are transferable shall be assigned by Seller to Buyer, at Closing by the execution and delivery by Seller and Buyer of the Assignment and Assumption of Contract Rights and Intangibles. The Assignment and Assumption of Contract Rights and Intangibles shall include a list identifying all Contract Rights assigned to and assumed by Buyer and shall be substantially in the form of **Exhibit "I"** hereto. Buyer shall not be obligated to assume any contracts not disclosed by Seller as Contract Rights on **Exhibit "B"** hereto and specifically assumed in writing by Buyer pursuant to **Exhibit "I."**

2.3 Real Property. The Real Property shall be conveyed at Closing by the execution and delivery by each Seller of (a) Special Warranty Deed, (b) an Assignment of Easements and Property Rights, (c) an Assignment of Water Rights and Well Registrations and (d) such other Transfer Instruments as may be appropriate as determined by Buyer or Title Insurer. The Special Warranty Deed shall be substantially in the form attached hereto as **Exhibit "J"** hereto. Seller shall deliver the Real Property at Closing to Buyer subject only to Permitted Encumbrances. Within a reasonable time after the Closing, Escrow Agent shall furnish the Buyer with the Title Insurer's ALTA Extended Owner's Policy of Title Insurance in the amount of the Purchase Price (defined in Section 4.1), subject only to Permitted Encumbrances (the "Owner's Title Policy").

2.4 Limitations. The purchase of the Assets pursuant hereto shall not constitute a purchase of Seller by Buyer nor render Buyer a successor-in-interest to Seller. This Agreement is limited to the purchase and sale of the Assets only and Buyer is not assuming any liabilities of Seller with respect to the Assets or the Business that may exist at any time unless otherwise specifically set forth herein. Buyer shall have no obligation of any kind under any contract or obligation assumed by Seller unless disclosed to, and assumed by, Buyer in writing, as provided herein. The provisions of this **Section 2.4** shall survive the Closing.

Section 3. Commitment; Information from Seller; Feasibility Period.

3.1 Delivery of Materials.

3.1.1 Delivery of Commitment. Within five (5) days following the Opening of Escrow, the Escrow Agent shall deliver the Commitment to Buyer and Seller together with legible copies of all documents referenced therein.

3.1.2 Delivery of Other Information. Upon the Opening of Escrow, Seller shall deliver to Buyer copies of (a) all employment, service, operations, maintenance and supply contracts affecting or pertaining to the Real Property, Equipment, Improvements, Inventory or the Business conducted thereon; (b) the Warranties and Guarantees, together with any insurance policies or binders; (c) all environmental studies and assessments, and regulatory filings and reports concerning the Assets or the Business, including, but not limited to, ADEQ, ADWR and ACC utility and corporate filings; and (d) all similar or relevant information and documentation requested by Buyer or which could reasonably affect or influence Buyer's use of the Assets for the purposes for which they are being acquired.

3.2 Feasibility Period. During the Feasibility Period Buyer shall have the right to enter upon the Real Property and the right to review all Records with Buyer's representatives and agents for the purpose of testing, examining and investigating the Assets and to make written objections ("Title Requirements") to matters shown in the Commitment or any amendment thereto or a survey of the Real Property. During the Feasibility Period Seller shall make reasonable and diligent efforts at Seller's sole cost and expense to satisfy the Title Requirements on terms and conditions satisfactory to Buyer. Buyer shall deliver a written report ("Status Report") to Seller and Escrow Agent on or before the tenth (10th) day of each calendar month during the Feasibility Period describing in detail the steps which have been taken and the progress which has been made to satisfy the Title Requirements. The Status Report shall be accompanied by copies of all correspondence sent to third parties during the preceding thirty (30) days in connection with efforts to resolve the Title Requirements. Buyer shall have the right during the Feasibility Period to terminate this Agreement if Buyer is dissatisfied, in Buyer's sole and absolute discretion, with the progress in satisfying the Title Requirements or the feasibility of the Assets for Buyer's purposes. On or before the expiration of the Feasibility Period, Buyer shall give written notice to Seller and Escrow Agent of its election whether or not to terminate this Agreement. If Buyer elects to terminate this Agreement, Escrow Agent shall return the Earnest Money and all documents deposited in escrow by Buyer to Buyer, all documents deposited in escrow by Seller to Seller, and this Agreement and escrow shall terminate. If Buyer elects not to terminate this transaction, the Earnest Money shall become nonrefundable to Buyer, except as provided for in **Section 5**. Buyer's failure to timely give written notice of its election to terminate or not terminate this transaction shall be deemed an election by Buyer not to terminate this transaction.

Section 4. Earnest Money and Purchase Price.

4.1 Earnest Money and Purchase Price. Buyer agrees to pay Seller as the total purchase

price for Seller's interest in the Assets, the following sums (the "Purchase Price"):

4.1.1 Earnest Money. Buyer will deposit the sum of One Hundred Thousand Dollars ($100,000.00) (the "Earnest Money") with the Escrow Agent within three (3) days after the execution of this Agreement by Buyer and Seller. The Earnest Money shall be placed in an interest bearing account, and all interest accruing thereon ("Earnest Money Interest") shall be deemed to increase, and be a part of, such Earnest Money and except as set forth in Section 4.1.2 shall be paid to the party entitled to receive payment of the Earnest Money in accordance with this Agreement. The Earnest Money shall be disbursed to Seller at Closing together with the Second Portion of the Purchase Price as provided in **Section 4.1.2** below, provided that all of Seller's obligations herein have been satisfied.

4.1.2 Second Portion of Purchase Price. The second portion of the Purchase Price shall be Two Million Six Hundred Fifty Thousand Dollars ($2,650,000.00) (the "Second Portion of the Purchase Price"), and shall be paid by Buyer in immediately available United States funds at Closing through Escrow Agent. The Earnest Money Interest shall be credited against the Second Portion of the Purchase Price.

4.1.3 Final Portion of the Purchase Price. The Final Portion of the Purchase Price shall be determined and paid in accordance with the following formula. For a period of seven and one-half (7½) years following the date of Closing, ending on the last day of the sixth (6th) full month after the seventh (7th) anniversary of the Closing (the "Payment Period"), Buyer shall pay to Thim, on behalf of himself and as designee for Diablo and Utility, a fee ("New Customer Premium") for each new customer connecting during the Payment Period to (a) the water systems within the existing Certificated Areas depicted on **Exhibit "E"**, or (b) direct extensions of such water systems outside the Certificated Areas (in each case, a "New Customer"), provided that in all events the maximum aggregate number of New Customer Premiums to be paid by Buyer shall not exceed 5,272. The amount of the New Customer Premium for each new customer shall be determined based on the size of the meter installed by Buyer as set out in the schedule entitled New Customer Premium Payment Schedule attached as **Exhibit "N"** hereto, and incorporated herein. Payment of the Final Portion of the Purchase Price shall be paid to Thim in arrears, on a monthly basis, based on the aforesaid formula during the Payment Period, and with respect to each New Customer, shall become due and payable in the month following the first full calendar month after a new water meter has been installed by Buyer and paid for by the New Customer. In connection with each monthly payment, Buyer shall provide Thim, with an accounting reflecting the (a) type, (b) meter size, (c) number and location of New Customers having connected during the preceding month, and (d) the amount of New Customer Premium associated with each New Customer. The provisions of this **Section 4.1.3** shall survive the Closing.

Section 5. Regulatory Approvals and Conditions to Closing. Buyer's and Seller's obligations to proceed with Closing under this Agreement are contingent upon: (i) Seller obtaining such approval of the ACC as may be necessary to complete the sale of the Assets to Buyer on terms and conditions satisfactory to Buyer in its sole and absolute discretion (the "Regulatory Approvals"); (ii) Buyer's receipt of the Title Insurer's irrevocable commitment to issue the Owner's Title Policy; (iii) Seller's satisfaction of all requirements of the Commitment and all Title Requirements set forth by Buyer during the Feasibility Period on terms and conditions satisfactory to Buyer in its sole and absolute

discretion; (iv) execution and delivery of the Transfer Instruments; (v) the payment of any closing costs, proratable amounts or any other amounts required to be paid under this Agreement on or before the Closing; and (vi) the parties' representations and warranties contained in this Agreement being true and correct in all material respects as of the Closing ("Closing Conditions"). Buyer shall cooperate in all reasonable respects at no cost to Buyer with Seller's attempt to obtain the Regulatory Approvals. The Closing shall occur at a mutually agreeable time and place within ten (10) business days after expiration of the Feasibility Period, or such earlier date that all Closing Conditions have been satisfied and Buyer has delivered written notice to Seller that Buyer has elected to proceed with the transaction ("Buyer's Election to Proceed"). If (i) any the Closing Conditions have not been satisfied by December 31, 2009, and (ii) the parties do not extend the date of Closing according to the provisions of **Section 10** of this Agreement, then the Earnest Money shall be returned to Buyer, and this Agreement shall terminate.

Section 6. Representations and Warranties.

6.1 Seller's Representations. Seller hereby jointly and severally represents and warrants to Buyer the following:

6.1.1 Title. Seller is the owner of, and has good and marketable title to, the personal and Real Property that is a part of the Assets to be conveyed hereunder. Diablo is the owner in fee title of, and has good and marketable title to, the Real Property described on **Exhibit "G"** hereto as Parcels 10, 10A and 11. Thim is the owner of fee title of, and has good and marketable title to, the Real Property described on **Exhibit "G"** hereto as Parcel 9. Utility is the owner in fee title of, and has good and marketable title to, the Real Property described on **Exhibit "G"** hereto as Parcels 13, 13A and 13B, and is the owner of a well easement interest, and has good and marketable title to, the Real Property described on **Exhibit "G"** hereto as Parcel 19.

6.1.2 Disclosed Agreements. Except for this Agreement, Seller has entered into no agreement currently in effect to sell the Assets.

6.1.3 Liabilities. To be best of Seller's knowledge, there are no judgments, liens, actions or proceedings pending against Seller or the Assets that would adversely affect this transaction or the title that Buyer will receive, other than those that have been disclosed in writing to Buyer.

6.1.4 Liens. No judgments, liens, security interests or other monetary obligations against the Assets will be outstanding at the time of Closing, except Permitted Encumbrances and current real estate taxes which are not yet due and payable.

6.1.5 Labor, Materials. All bills and invoices for labor and materials furnished to or on behalf of the Assets which have been incurred by Seller prior to the time of conveyance and transfer to Buyer, if any, will be paid by Seller prior to or at the time of Closing.

6.1.6 Proceedings. To be best of Seller's knowledge, there are no actions or proceedings by any person or governmental entity or any other facts or circumstances, including any

causes of action, lawsuits or claims, whether existing or threatened, which might materially and adversely affect the Assets.

6.1.7 No Breach. Neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated by this Agreement will result (either immediately or after the passage of time and/or the giving of notice) in a breach or default by Seller under any agreement or understanding to which Seller is a party or by which Seller may be bound or which would have an effect upon Seller's ability to fully perform its obligations under this Agreement.

6.1.8 No Bankruptcy. Seller has not (a) made a general assignment for the benefit of creditors, (b) filed any voluntary petition or suffered the filing of an involuntary petition by Seller's creditors, (c) suffered the appointment of a receiver to take all, or substantially all, of Seller's assets, (d) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, or (e) admitted in writing its inability to pay its debts as they fall due, and no such action is threatened or contemplated.

6.1.9 Regulations. To the best of Seller's knowledge, there are currently no violations of any applicable zoning regulation or ordinance or other law, order, ordinance, rule, regulation or requirement, or of any covenant, condition or restriction affecting or relating to the use or occupancy of the Real Property from any governmental agency having jurisdiction over the Assets or from any other person entitled to enforce the same.

6.1.10 Permits. To be best of Seller's knowledge, Seller has all permits, licenses, authorization and approvals required by law or any governmental agency to conduct the Business.

6.1.11 Condemnation. To be best of Seller's knowledge, there are no pending or threatened condemnation or eminent domain proceedings which would affect the Business or Assets.

6.1.12 Creditors. As of the Closing or thereafter when such obligations are then due (except for items to be prorated at Closing pursuant to **Section 13** of this Agreement), all bills and invoices for goods and services related to or which are a part of the Assets shall be paid; all Creditors shall be paid; all employees (if any) and salaries, wages, bonuses, vacation pay and benefits accrued up to the date of Closing shall be paid; all withholdings, payroll taxes, unemployment insurance, worker's compensation benefits, and all other similar payments shall be paid current to the date of Closing; and no claims by Creditors shall exist which may encumber the Assets.

6.1.13 Organization. Diablo and Utility have each been duly formed and presently exist as Arizona public service corporations, and subject to the Regulatory Approvals, have the full right and authority to enter into this Agreement, to consummate the sale of the Assets herein and to observe and perform all of their covenants and obligations hereunder. The person executing this Agreement and any other document required hereby has full authority to act on behalf of and to bind the Seller in and to the obligations imposed on it by this Agreement.

6.1.14 Commissions . Seller has made no agreements respecting commissions or brokerage fees in connection herewith. Seller shall indemnify Buyer for any claims of commission through Seller. This indemnification provision shall survive the Closing.

6.1.15 Environmental Regulations. To the best of Seller's knowledge, the Assets to be conveyed hereunder are in compliance with all current applicable environmental, health and safety laws and regulations.

6.1.16 Insurance Coverage. Seller carries, and has for the four (4) years immediately preceding the date of this Agreement carried, what it believes to be a commercially reasonable liability insurance policy on an occurrence basis. Such insurance shall be maintained in full force and effect through Closing.

6.1.17 ACC Filings. To the best of Seller's knowledge, there are no material inaccuracies in the information contained in the latest Annual Report filed with the Utilities Division of the ACC.

6.1.18 Sufficiency and Adequacy. To the best of Seller's knowledge, the Real Property to be conveyed pursuant hereto is adequate and sufficient to permit the Buyer to operate the Business in its usual and customary manner, and all Improvements are located within the Real Property conveyed pursuant hereto.

6.1.19 Accuracy of Representations and Warranties. None of the representations and warranties of Seller contain any untrue statements of a material fact, or omit or misstate a material fact necessary in order to make the statements contained herein not misleading.

The foregoing representations and warranties shall survive the Closing for a period of one (1) year and thereafter shall lapse except with respect to any breach of such warranties and representations with respect to which Buyer has commenced an action against Seller prior to the expiration of such one (1) year period.

6.2 Buyer's Representations. Buyer hereby represents to Seller as follows:

6.2.1 Authority. Buyer has been duly formed and presently exists as a municipal corporation under the laws of the state of Arizona, and the entering into of this Agreement and the performance of Buyer's obligations hereunder have been duly authorized by all proper and necessary actions, and do not violate any applicable governmental statute, rule, regulation, ordinance, contract or other restriction. The person executing this Agreement and any other documents required hereby has full authority to act on behalf of and to bind the Buyer in and to the obligations imposed on it by this Agreement.

6.2.2 Commissions. Buyer has made no agreements respecting commissions or brokerage fees in connection herewith. Buyer shall indemnify Seller for any claims of commission through Buyer. This indemnification provision shall survive the Closing.

6.2.3 Accuracy of Representations and Warranties. None of the representations and warranties of Buyer contain any untrue statements of a material fact, or omit or misstate a material fact necessary in order to make the statements contained herein not misleading.

The foregoing representations and warranties shall survive the Closing for a period of one (1) year and thereafter shall lapse except with respect to any breach of such warranties and representations with respect to which Seller has commenced an action against Buyer prior to the expiration of such one (1) year period.

Section 7. Indemnification.

7.1 By Seller. Seller hereby agrees to indemnify Buyer against, and to hold Buyer harmless from, all actions, suits, proceedings, demands, claims, assessments, judgments, costs and expenses, including without limitation legal fees and disbursements, incurred by Buyer relating to (i) the Assets or Business and arising from acts, occurrences or matters that took place prior to the Closing and (ii) any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Seller.

7.2 By Buyer. Buyer hereby agrees to indemnify Seller against, and to hold Seller harmless from, all actions, suits, proceedings, demands, claims, assessments, judgments, costs and expenses, including without limitation legal fees and disbursements, incurred by Seller relating to (i) the Assets and arising from acts, occurrences or matters that took place after the Closing (excluding acts of Seller, its agents or employees) and (ii) any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Buyer.

Section 8. Aid in Construction Agreements. At Closing, Seller shall assign and Buyer shall assume Seller's rights and obligations under each of those Aid in Construction Agreements in which no party thereunder is in default of their obligations under such Agreements.

Section 9. Escrow Agent.

9.1 Delivery of Transfer Instruments. The Transfer Instruments and any other documents required by this Agreement or applicable laws shall be placed by the parties into escrow with the Escrow Agent and shall be delivered to the appropriate party upon Closing.

9.2 Other. The Escrow Agent agrees to do all things reasonably required by the terms of this Agreement to close this transaction.

Section 10. Closing. The Closing of this sale shall occur no later than ten (10) business days after expiration of the Feasibility Period, but in no event later than December 31, 2009, as provided under **Section 5** of this Agreement. Notwithstanding the foregoing, the parties may extend the date of Closing until such later time by executing and delivering a written instrument to the Escrow Agent setting a new date for Closing. The new Closing date shall also be the new date for proration.

Section 11. Closing Documents.

11.1 Seller's Deposits. Prior to Closing, Seller shall deposit with Escrow Agent for delivery to Buyer, the following:

11.1.1 The Transfer Instruments required by this Agreement.

11.1.2 The form of Certificate re RUCO and ACC Assessments, substantially in the form set forth in **Exhibit "M"** hereto.

11.1.3 Any other documents or instruments required by this Agreement.

11.1.4 Any other instruments necessary to or reasonably required by Buyer or Escrow Agent to effectuate the transaction contemplated herein.

11.2 Buyer's Deposits. Prior to Closing, Buyer shall deposit with Escrow Agent for delivery to Seller the following:

11.2.1 The Second Portion of the Purchase Price in immediately available United States funds.

11.2.2 Any other instruments necessary to or reasonably required by Seller or Escrow Agent to effectuate the transaction contemplated herein.

Section 12. Costs. Costs of Closing and/or expenses connected with the transfer of the Assets and the sale thereof shall be divided between Buyer and Seller, and paid through escrow, as follows:

12.1 Attorneys' Fees. Except as provided in **Section 21.4** of this Agreement, each party shall pay its own attorneys' fees and costs.

12.2 Escrow Fees. The escrow fee and all filing and recording fees shall be divided equally between Buyer and Seller, to the extent that such recording fees or filing fees are for the Transfer Instruments. If any recording fees or filing fees are necessary as a result of recordings required to clear title, they shall be paid by Seller.

12.3 Title Insurance. The premium for the Owner's Title Policy attributable to standard coverage and the cost of any endorsements required to satisfy the Commitment or Title Requirements shall be paid by Seller. Buyer shall pay the difference between the standard premium and an extended premium, if any, plus the costs of any additional requirements for an extended title insurance policy.

Section 13. Prorations.

13.1 Prorations. All current real estate taxes against the Real Property shall be prorated as of 12:01 a.m. on the date of Closing. As a municipal corporation, Buyer is exempt from the payment

of real estate taxes. Any errors in the proration resulting in a deficit in the payment of taxes through Closing shall thereafter remain the obligation of Seller. Any delinquent taxes, penalties and interest thereon for the Property shall be paid by Seller on or before Closing

13.2 Assessments. All current assessments, both principal and interest, against the Real Property shall be prorated as of 12:01 a.m. on the date of Closing. Seller shall pay any delinquent amounts on or before Closing.

13.3 Other.

13.3.1 Seller shall deliver the Records to Buyer on the Closing date.

13.3.2 Seller shall transfer utility operations to Buyer as of Closing.

13.3.3 Leases for Equipment (including vehicles) or premises, if any, shall be prorated as of Closing.

13.3.4 Any meter deposits collected by Seller, refunds of which are payable to Seller's customers, shall remain a liability of Seller as provided in Section 18 below and Buyer shall have no responsibility therefor.

13.3.5 Personal property tax shall be prorated as of Closing. As a municipal corporation, Buyer is exempt from the payment of personal property taxes.

Section 14. Risk of Loss.

14.1 Prior to Closing. The risk of loss for damage by fire or other casualty, or the taking by eminent domain, until Closing, shall remain the responsibility of Seller. Upon the happening of any material loss and within ten (10) business days after notification thereof, Buyer may elect in writing to terminate this Agreement or close the sale. If an election to terminate the Agreement is made, any money on deposit shall be returned to Buyer with accrued interest thereon and this Agreement shall thereupon become null and void. In the alternative, if an election to proceed with Closing is made by Buyer, any insurance proceeds and/or condemnation award in connection with the loss shall be given to Buyer, but there shall be no adjustment to the Purchase Price.

14.2 After Closing. The risk of loss or damage by fire or other casualty, or the taking by eminent domain, shall be assumed by and be the responsibility of Buyer from and after the Closing.

Section 15. Insurance. Buyer shall place its own insurance coverage on the Assets as of Closing. Insurance previously carried by Seller shall be canceled by Seller as of Closing.

Section 16. Assignment of Agreement. The rights of each party under this Agreement may be assigned only with the prior written consent of the other party, which consent may be withheld for any reason, or for no reason.

Section 17. Default.

17.1 Seller's Default.

17.1.1 Non -Monetary Default. For the purposes of this **Section 17**, a "Non-Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance when that failure is the result of any action by a third party encumbering the Assets by creating a cloud on the title of Seller's ownership status which is not practicably susceptible to financial satisfaction prior to Closing and was not accepted by Buyer as a Permitted Encumbrance during the Feasibility Period.

17.1.2 Monetary Default. For the purpose of this **Section 17**, a "Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance, when that failure is a result of a monetary lien or encumbrance upon the Assets, which lien or encumbrance was not disclosed in the Commitment when received by Buyer and which can be cured by the application of a portion of the Closing proceeds.

17.1.3 Seller's Willful Refusal. For the purpose of this **Section 17**, "Seller's Willful Refusal" shall mean the wrongful failure of Seller to close this transaction for reasons within Seller's control, after Buyer has tendered full performance.

17.1.4 Remedies . In the event of a default by Seller, Buyer's exclusive remedies shall be as follows:

17.1.4.1 In the event of a Non-Monetary Default, Buyer shall have ten (10) business days following such default in which to elect in writing to terminate this Agreement or waive the Non-Monetary Default and close this transaction. In the event Buyer elects to terminate this Agreement, this Agreement shall thereupon be null and void and the Earnest Money shall be immediately returned to Buyer, together with any interest earned thereon. If Buyer elects to waive the Non-Monetary Default and close the transaction, then Closing shall occur within ten (10) business days after Buyer's written notice to close. There shall be no adjustment in the Purchase Price and Buyer shall accept whatever title Seller may be able to convey.

17.1.4.2 In the event of a Monetary Default, the Escrow Agent is hereby instructed to withhold from Seller's proceeds from the Closing a sufficient amount to cure the Monetary Default.

17.1.4.3 In the event of Seller's Willful Refusal, then Buyer shall be entitled to pursue its legal and equitable remedies as then may be available, including specific performance.

17.2 Buyer's Default. In the event Buyer fails to close this transaction after Seller has tendered full performance and all conditions to Buyer's obligation to close have been satisfied, Seller shall be entitled to immediately receive the Earnest Money from the Escrow Agent as liquidated damages (and not as a penalty) for its damages incurred as a result of Buyer's default. The parties

specifically agree that the provisions of A.R.S. Section 33-741, et seq. shall not apply to this Agreement.

Section 18. Customer Deposits. Any meter deposits collected by Seller, refunds of which are payable to Seller's customers, shall be refunded by Seller. Seller shall provide a list of all such refundable customer deposits and meter deposits to Escrow Agent and Buyer prior to Closing. Buyer shall not receive a credit against the Purchase Price therefor unless such deposits are not refunded by Seller as provided herein, in which event the amount of any refund made by Buyer shall be credited against the Final Portion of the Purchase Price. Seller shall be responsible for refunding all customer deposits and meter deposits, and shall do so in accordance with any requirements established by the ACC. Seller shall be entitled to offset customer deposits and meter deposits against amounts due from customers, in accordance with any requirements established by the ACC. Seller shall refund the remaining balance of customer deposits and meter deposits as a credit to the final month's water service billing rendered by Seller, and shall provide documentation of same to Buyer and to the ACC.

Section 19. Employees. Buyer shall not be obligated to employ any of Seller's employees, if any, nor have any obligations to such employees, whatsoever.

Section 20. Meter Readings and Billings.

20.1 Meter Readings.

20.1.1 Seller shall use its best efforts to read all customer meters on the date of Closing, but in any event, all meters will be read within five (5) days prior to Closing (the "Final Reading").

20.1.2 Seller shall continue to bill in its usual sequence for water usage prior to Closing and may, at its option, delay its usual billing sequence to coincide with the Final Reading.

20.1.3 Seller shall bill for all services provided prior to the Final Reading at Seller's rates. Buyer shall bill for all services provided after the Final Reading at Buyer's rates.

20.1.4 Buyer shall collect all payments for billings for services provided prior to the Final Reading and remit same to Seller within twenty (20) days of receipt thereof. With respect to any amounts billed for Seller's services provided prior to the Final Reading, Buyer shall have no obligation or liability to take any action to effect collection on behalf of Seller, but Seller may, at its option, pursue the collection of its unpaid billings.

Section 21. Miscellaneous Provisions.

21.1 Notices.

All notices and communications hereunder shall be in writing and shall be given by personal delivery, private courier whose practice it is to obtain a receipt upon delivery, or mailed first class,

registered or certified mail, postage prepaid, and shall be deemed received upon the earlier of actual delivery or two (2) days after deposit in the United States Mail as aforesaid. Notices to Seller or Buyer as the case may be shall be delivered or mailed to the following addresses:

Seller	Buyer
Robin M. Thim 4681 East Coachlight P. O. Box 13145 Tucson, Arizona 85732	Metropolitan Domestic Water Improvement District 6265 North La Cañada Drive Tucson, Arizona 85704

21.2 Nature of Agreement.

21.2.1 Agreement Negotiated. The terms and provisions of this Agreement represent the results of negotiations between Seller and Buyer, each of which has been represented by counsel of its own choosing and none of which have acted under duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and Seller and Buyer hereby waive the application of any rule of law which would otherwise be applicable in connection with the interpretation and construction of the Agreement, including (without limitation) any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the party whose attorney prepared the executed draft or any earlier draft thereof. The Rule of Strict Construction shall not be used to interpret this Agreement, but rather this Agreement shall be construed to provide each party with the benefit of the bargain it has struck with the other party.

21.2.2 Integration. All understandings and agreements heretofore between the parties are merged into this Agreement, which alone fully and completely expresses their agreement; the same is entered into after full investigation and neither party is relying upon any statements or representations by the other not embodied in this Agreement.

21.2.3 Other Inducements. The parties agree that there are no promises, inducements, representations or agreements in connection with this Agreement except those specifically set forth herein in writing.

21.2.4 Binding Effect upon Successors, Assigns and Heirs. Subject only to the provisions of Section 16, above, the provisions of this Agreement, and all rights and obligations hereunder, shall be binding upon the respective successors, assigns and heirs of Seller and Buyer.

21.2.5 Modification. This Agreement may not be changed orally, but only by an agreement in writing, signed by the parties.

21.2.6 Other Agreements. Seller shall not enter into any contracts, leases, agreements or amendments to existing agreements or encumbrances affecting the Assets while this

Agreement remains in force or subsequent to Closing of this transaction without the express written consent of Buyer, other than to remove a matter which the Title Insurer requires be removed to close.

21.3 Relation of Parties; No Agency. It is expressly agreed and understood by the parties hereto that neither party is the agent partner, nor a joint venture partner of the other. It is also expressly agreed and understood that neither Seller nor Buyer has any obligations or duties to the other except as specifically provided for in this Agreement.

21.4 Attorney's Fees. In the event of any dispute regarding this Agreement, the prevailing party shall be entitled to receive, in addition to any other award, reasonable attorneys' fees and costs, determined by the court or arbitrator and not a jury.

21.5 Construction.

21.5.1 Time. Time is of the essence of this Agreement. However, if any action is required to be taken on a Saturday, Sunday or legal holiday, the action shall be deemed timely taken if it is taken on the next regular business day.

21.5.2 Headings. The headings of this Agreement have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in any one gender, it shall be deemed to include all other genders as the case may require, and the singular shall include the plural, and vice versa, unless the context indicates to the contrary.

21.5.3 Adverbs. Whenever the terms "herein", "hereunder", "hereof", "therefor", "thereover", or similar terms are used, they shall refer to this entire Agreement as a whole and shall not refer solely to any particular section.

21.5.4 Exhibits. All recitals, schedules and exhibits to this Agreement are fully incorporated herein as though set forth at length herein.

21.5.5 State Law. This Agreement and the conveyance provided for herein shall be governed by the laws of the State of Arizona.

21.5.6 Counterparts. This Agreement may be executed in counterparts, and the signature of any person required by this Agreement shall be effective if signed on any and/or all counterparts. All counterparts together shall be considered one and the same Agreement.

21.6 Force Majeure. The term "Force Majeure" as used herein shall mean cause beyond the control and without the fault or negligence of the party failing to perform, whether foreseen or unforeseen, including, but not limited to: Acts of God, acts of the public enemy, wars, insurrections, civil unrest, riots, terrorism, labor disputes, boycotts, fires, explosions, floods, unanticipated adverse geological and weather conditions, and acts of judicial or military authorities. Neither party will be liable to the other for any delay or non-performance of its obligations under this Agreement in the event and to the extent that such delay or nonperformance is caused by any event of Force Majeure.

Each party will inform the other party of the occurrence of any event of Force Majeure, and its expected duration and cessation, respectively, as soon as reasonably practical. In the event the Closing under this Agreement becomes suspended as the result of an event of Force Majeure for a continuous period exceeding sixty (60) days, then either party may terminate the Agreement with respect to the unperformed part of the Agreement and the Earnest Money shall be returned to Buyer.

21.7 Conflict of Interest. Pursuant to A.R.S. Section 38-511, Buyer may cancel this Agreement within three (3) years after its execution, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the Agreement on behalf of Buyer is, at any time while the Agreement or any extension of the Agreement is in effect, an employee or agent of Seller in any capacity or a consultant to Seller with respect to the subject matter of the Agreement.

Section 22. Inspection, Acceptance and Maintenance of Assets.

22.1 Buyer. Buyer acknowledges that as of Closing, it will have inspected the condition of such of the Assets as it deems reasonably necessary, and will accept the Assets in "AS IS" condition, with no warranties express or implied except as set forth in **Section 6** of this Agreement.

22.2 Seller. Seller agrees to maintain the condition of the Assets in their current condition, ordinary wear excepted, to the date of Closing. Furthermore, Seller agrees that, from the Effective Date of this Agreement through the date of Closing, Seller shall consult with Buyer and take all reasonable steps to ensure that any infrastructure built or approved conforms with Buyer's construction standards and does not impair Title Insurer's willingness to issue the Title Policy.

Section 23.

23.1 Receivables. Buyer acknowledges that the records to be transferred to Buyer will contain information that may be needed by Seller from time to time for operation of the Thim Water Corporation. Buyer therefore agrees that Seller will have the right to reasonable access to such information for that purpose after reasonable prior notice and during regular business hours after Closing, including the right to make copies of such documents as Seller may need.

23.2 Annual Regulatory Assessments. Seller agrees and acknowledges that it shall be responsible for and pay all accrued and or payable ACC and RUCO Annual Regulatory Assessments at or prior to Closing.

[Signatures follow]

BUYER:

METROPOLITAN DOMESTIC
WATER IMPROVEMENT DISTRICT,
a municipal corporation

By: _____
Chairman

ATTEST:

By: _____
District Clerk

Approved as to form:

By: _____
District Attorney

SELLER:

_____
Robin M. Thim, a married man dealing
with his sole and separate property

THIM UTILITY CO., an Arizona public
service corporation

By: _____
Robin M. Thim, President

DIABLO VILLAGE WATER COMPANY,
an Arizona public service corporation

By: _____
Robin M. Thim, President

ESCROW AGENT:

Copy of the Agreement, including the Exhibits attached hereto, received and acknowledged:

LAWYERS TITLE AGENCY OF ARIZONA, LLC,
an Arizona limited liability company

By: Cathy Hansen for Pamela Tighe
Name: Escrow Officer
Title: Vice President
Date received: February 17, 2009

LIST OF EXHIBITS

Aid in Construction Agreements between Seller and Third Parties	Exhibit A
Description of Assets	Exhibit B
List of Improvements	Exhibit B-1
Licenses	Exhibit B-2
List of Records	Exhibit B-3
Certificates of Convenience and Necessity issued by the Arizona Corporation Commission in the Decisions	Exhibit C
Certificated Area (Legal Description)	Exhibit D
Maps of Certificated Area of the existing service area, including easements and major infrastructure	Exhibit E
Equipment used in the operation of wells, storage reservoirs, booster stations, transmission mains, and distribution systems, office equipment and motor vehicles	Exhibit F
Real Property (Legal Description)	Exhibit G
Form of Bill of Sale	Exhibit H
Form of Assignment and Assumption of Contract Rights and Intangibles	Exhibit I
Form of Special Warranty Deed	Exhibit J
Form of Assignment and Assumption of Easement and Property Rights	Exhibit K
Form of Assignment and Assumption of Water Rights and Well Registrations	Exhibit L
Form of Certificate re RUCO and ACC Assessments	Exhibit M
New Customer Premium Payment Schedule	Exhibit N

Exhibit "A"

Aid In Construction Agreements between Seller and Third Parties

[See attached]

Summary of Three Extant Main Extension Agreements Entered into by the Diablo Village Water Company

MXA between DVW and **HB. Diablo, LLC**	June 16, 2006 Agreement to serve Caddis Haley Estates, Lots 1-161	T15S, R12E, Section 16
MXA between DVW and **KB Homes Tucson, Inc.**	December 8, 2006 Agreement to serve Sonoran Ranch Estates II (7 approvals to construct)	T15S, R12E, Section 8 Exhibit A (Lots owned/to be served): Lots 1-309, 320-368, 409-430, 456-477, 496-510, 541-548, and 571-572 Approvals to Construct: **(1) March 9, 2006:** Phase 1A, Lots 1-16, and 53-128 **(2) March 9, 2006:** Phase 2A & 3B, Lots 17-52, and 129-212 **(3) March 27, 2006:** Lots 213-337 **(4) March 27, 2006:** Lots 338-368 **(5) March 27, 2006:** Lots 456-477, 496-510, and 571-572 (superseded) **(6) May 3, 2006:** *Supersedes March 27*, 2006 Approval in order to add Lots 541-548 **(7) June 24, 2006:** Lots 369-408, 431-455, 478-495, 511-540, and 549-570
MXA between DVW and **Sierra Pacific Homes, LLC**	April 6, 2007 Agreement to serve Sonoran Ranch Estates II (2 Approvals to Construct)	T15S, R12E, Section 8 Exhibit A (Lots owned/to be served): Lots 310-319, 369-408, 431-455, 478-495, 511-540, and 549-570 Approvals to Construct: **(1) March 27, 2006:** Lots 213-337 **(2) June 24, 2006:** Lots 369-408, 431-455, 478-495, 511-540, and 549-570

Exhibit "B"
Description of Assets

Real Property – See **Exhibit "G"**

Improvements – See **Exhibit "B-1"**

Equipment – See **Exhibit "F"**

Inventory – None

Contract Rights – See **Exhibit "A"**

Licenses – See **Exhibit "B-2"**

Certificates – See **Exhibit "C"**

Warranties and Guarantees – None

Records – List of Categories – See **Exhibit "B-3"**

Exhibit "B-1"
List of Improvements

Exhibit "B-2"
Licenses

Exhibit "B-3"
List of Records

Records will include all records that seller has in office with the exception of the Three Points area OR records that are combined with the Three Points area until that portion is purchased. These records include but may not be limited to the following:

1. Arizona Corporation Commission
   - A. Annual Reports
   - B. Tariff and CC&N decisions
   - C. Complaints and Inquiries
   - D. Line Extension Agreements

2. Arizona Department of Revenue
   - A. Annual Notice of Value
   - B. Annual Property Tax reports

3. Arizona Department of Environmental Quality and PDEQ
   - A. Annual Consumer Confidence Reports
   - B. Permits
     - a. Approval to Construct
     - b. Approval Of Construction
     - c. Non-Exempt Well Permit
     - d. Drinking Water Service Agreements
   - C. Drinking Water Compliance Reports
   - D. Water testing reports
   - E. Sampling Plans
   - F. Arsenic remediation information for Lazy B
   - G. Nitrate Blending plan history for E & T (Blending is no longer needed)

4. Arizona Department Of Water Resources
   - A. Notice of Intent of Serve
   - B. Annual Water Withdrawal Reports
   - C. Certificate of Assured Water Supply
   - D. Hydrology Reports
   - E. Well Drilling reports
   - F. Annual CAGRD Reports
   - G. Water Supply Plans/ Drought Preparedness Plans
   - H. Service Area and Operating Distribution System Maps

5. Customer Data Base billing, payment and meter reading history
   A. Automatic draft information
   B. Diablo Village pending services in established subdivisions
   C. Diablo Village line extension refund information

6. Pima County Waste Water
   A. Records of customer information given
   B. Contract
   C. Annual Water Usage Report

7. All available engineering maps

8. All available Invoices of equipment purchasing

Exhibit "C"
Certificates of Convenience and Necessity issued by the
Arizona Corporation Commission in the Decisions

[_ pages attached]

Exhibit "D"
Certificated Area (Legal Description)

The legal descriptions are set forth in the Certificates attached as Exhibit "C" to Asset Purchase Agreement

Exhibit "E"

Maps of Certificated Area of the existing service area, including easements and major infrastructure

[___ pages attached]

Exhibit "F"

Equipment used in the operation of wells, storage reservoirs, booster stations, transmission mains, and distribution systems, office equipment and motor vehicles

[___ pages attached]

Exhibit "G"
Real Property (Legal Description)

Diablo Village Water Company

Parcel 9

That portion of Section 16, Township 15 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

BEGINNING at the Center quarter corner of said Section 16, said point being on the East line of the West half right-of-way of Victor Drive as shown on the subdivision plat of DIABLO VILLAGE ESTATES, Book 28 of Maps and Plats at page 33 thereof, records of Pima County, Arizona;

THENCE from said POINT OF BEGINNING, Northeasterly, North 89 degrees 49 minutes 12 seconds East, a distance of 45.00 feet (record) along the South line of the Northeast quarter of said Section 16, to the Northwest corner of Lot 79 as shown on the subdivision plat for STAR VALLEY VILLAGE, Book 47 of Maps and Plats at page 26-5 thereof, records of Pima County, Arizona, being contiguous with the East right-of-way line of Victor Drive as shown on said plat of STAR VALLEY VILLAGE, said point being the TRUE POINT OF BEGINNING of the Well Site parcel herein described;

THENCE, from said TRUE POINT OF BEGINNING, leaving said right-of-way line, continuing Northeasterly, North 89 degrees 49 minutes 12 seconds East (record), a distance of 200.00 feet along the North line of said Lot 79 (South line of said Northeast quarter) to a point thereon;

THENCE, leaving said North line of Lot 79, Northwesterly along a line being parallel with the West line of said Northeast quarter of Section 16, being contiguous with the center line of said Victor Drive, North 00 degrees 02 minutes 09 seconds West (record), a distance of 100.00 feet to a point;

THENCE, leaving said parallel line, Southwesterly along a line being parallel the North line of said Lot 79, South 89 degrees 49 minutes 12 seconds West (record), a distance of 200.00 feet to a point on the Northerly extension of the East right-of-way line of Victor Drive as shown on said subdivision plat of STAR VALLEY VILLAGE;

THENCE, leaving said parallel line, Southeasterly along said Northerly extension, being parallel with the West line of the Northeast quarter of said Section 16, South 00 degrees 02 minutes 09 seconds East, a distance of 100.00 feet to the TRUE POINT OF BEGINNING. (JV Arb 32)

Parcel 10

A Diablo Village Water Company Well Site bounded by the following described line:

COMMENCING at the Northwest section corner located on the centerline of Valencia Road and Valhalla Road shown on DIABLO VILLAGE ESTATES BLOCKS 1, 2 and 3, a subdivision of Pima County, Arizona according to the map or plat thereof of record in the office of the County Recorder of Pima County, Arizona, in Book 29 of Maps and Plats at page 75 thereof located in Section 16, Township 15 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

THENCE North 89 degrees 50 minutes 15 seconds East a distance of 824.51 feet;

THENCE South 00 degrees 09 minutes 45 seconds East a distance of 75.00 feet to the South right-of-way of Valencia Road and the Northeast corner of Block 1;

THENCE South 00 degrees 02 minutes 09 seconds East along the East line of Block 1 a distance of 579.11 feet to a point of an irregular shape utility boundary;

THENCE North 89 degrees 50 minutes 15 seconds East along said boundary a distance of 45.69 feet to a non-tangent curve from which the radius bears North 40 degrees 57 minutes 51 seconds East, also a common point with Block 3 and the POINT OF BEGINNING;

THENCE South 00 degrees 02 minutes 42 seconds East a distance of 100 feet to a point;

THENCE South 89 degrees 50 minutes 15 seconds West a distance of 200 feet to a point;

THENCE North 00 degrees 02 minutes 42 seconds West a distance of 100 feet to a point;

THENCE North 89 degrees 50 minutes 15 seconds East a distance of 200 feet to the POINT OF BEGINNING.
(JV Arb Block 3=31, Block 1= portion arb 11)

Parcel 10A

A Diablo Village Water Company parcel bounded by the following described line:

COMMENCING at the Northwest section corner located on the centerline of Valencia Road and Vahalla Road shown on DIABLO VILLAGE ESTATES BLOCKS 1, 2 and 3, a subdivision of Pima County, Arizona according to the map or plat thereof of record in the office of the County Recorder of Pima County, Arizona, in Book 29 of Maps and Plats at page 75 thereof located in Section 16, Township 15 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

THENCE North 89 degrees 50 minutes 15 seconds East a distance of 824.51 feet;

THENCE South 00 degrees 09 minutes 45 seconds East a distance of 75.00 feet to the South right-of-way of Valencia Road and the Northeast corner of Block 1;

THENCE South 00 degrees 02 minutes 09 seconds East along the East line of Block 1 a distance of 468.70 feet to the POINT OF BEGINNING;

THENCE continuing South 00 degrees 02 minutes 09 seconds East, a distance of 110.41 feet;

THENCE North 89 degrees 50 minutes 15 seconds East, a distance of 45.69 feet to a non-tangent curve from which the radius bears North 40 degrees 57 minutes 51 seconds East, also a common point with Block 3;

THENCE along an arc, concave to the Northeast, having a radius of 156.00 feet through a central angle of 45 degrees 00 minutes 00 seconds an arc length of 122.52 feet to the POINT OF BEGINNING.
(JV Arb Block 1= portion arb 11)

Parcel 11

That parcel of land dedicated and shown as Well Site on SONORAN RANCH ESTATES II, a subdivision of Pima County, Arizona according to the map or plat thereof of record in the office of the County Recorder of Pima County, Arizona, in Book 60 of Maps and Plats at page 47 thereof.

TOGETHER WITH an easement for private water line as set forth in Docket 12597 at page 492.

Parcel 18

An Easement interest in and to:

All that portion of the Northeast quarter of the Northwest quarter of Section 30, Township 14 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona and being more particularly described as follows:

BEGINNING at a point on the West line of the Northeast quarter of the Northwest quarter of said Section 30, and from which point the Northwest corner thereof bears North 00 degrees 19 minutes 00 seconds West, 721.93 feet;

THENCE from said POINT OF BEGINNING, North 74 degrees 38 minutes 45 seconds East, a distance of 155.32 feet to the TRUE POINT OF BEGINNING;

THENEC North 00 degrees 19 minutes 00 seconds West and parallel with said West line a distance of 127.85;

THENCE North 80 degrees 32 minutes 17 seconds East, a distance of 10.13 feet;

THENCE South 00 degrees 19 minutes 00 seconds East and parallel with said West line a distance of 95.71 feet;

THENCE North 74 degrees 38 minutes 45 seconds East a distance of 46.59 feet;

THENCE South 15 degrees 21 minutes 15 seconds East a distance of 30.00 feet;

THENCE South 74 degrees 38 minutes 45 seconds West a distance of 65.00 feet to the TRUE POINT OF BEGINNING.

(Portion JV Arb 148)

Thim Utility Co.

Parcel 13

That portion of the Southeast quarter of the Northwest quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

BEGINNING at the Southeast corner of the Northwest quarter of said Section 6;

THENCE from said POINT OF BEGINNING, Westerly along the South line of the Northwest quarter of said Section 6, South 89 degrees 23 minutes 00 seconds West, a distance of 187.04 feet to a point on the East right-of-way line of Old Nogales Highway;

THENCE, leaving said South line, Northwesterly along the East right-of-way line of said Old Nogales Highway, North 14 degrees 37 minutes 55 seconds West, a distance of 30.92 feet to a point thereon;

THENCE, Northwesterly along said right-of-way line, North 14 degrees 37 minutes 55 seconds West, a distance of 454.92 feet to the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE, from said TRUE POINT OF BEGINNING, Northwesterly along the said right-of-way line, North 14 degrees 37 minutes 55 seconds West, a distance of 83.59 feet to a point thereon;

THENCE, leaving said East right-of-way line, following the North line of an existing chain link fence surrounding a well site and the Westerly extension thereof, South 89 degrees 16 minutes 55 seconds East, a distance of 77.28 feet to the Northeast corner thereof;

THENCE, leaving said Northeast corner, South 00 degrees 43 minutes 05 seconds West, a distance of 65.92 feet to the Southeast corner of said existing chain link fence;

THENEC, leaving said Southeast corner, South 05 degrees 25 minutes 03 seconds East, a distance of 22.40 feet to the Northeast corner of an easement for ingress, egress and public utilities;

THENCE Northwesterly along the North line of said easement, North 81 degrees 46 minutes 41 seconds West, a distance of 58.045 feet to the TRUE POINT OF BEGINNING.
(Portion JV Arb 545)

Parcel 13 A

That portion of the Southeast quarter of the Northwest quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

BEGINNING at the Southeast corner of the Northwest quarter of said Section 6;

THENCE from said POINT OF BEGINNING, Westerly along the South line of the Northwest quarter of said Section 6, South 89 degrees 23 minutes 00 seconds West, a distance of 187.04 feet to a point on the East right-of-way line of Old Nogales Highway;

THENCE, leaving said South line, Northwesterly along the East right-of-way line of Old Nogales Highway, North 14 degrees 37 minutes 55 seconds West, a distance of 30.92 feet to a point thereon, said point being the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE, from said TRUE POINT OF BEGINNING, Northwesterly along said right-of-way line, North 14 degrees 37 minutes 55 seconds West, a distance of 454.92 feet to a point thereon, said point being the Northwest corner of an easement for ingress, egress and public utilities;

THENCE, leaving said East right-of-way line, Southeasterly along the North line of said easement, South 81 degrees 46 minutes 41 seconds East, a distance of 58.045 feet to the Northeast corner thereof;

THENCE, leaving said Southeast corner, South 05 degrees 25 minutes 03 seconds East, a distance of 245.22 feet;

THENCE, Easterly along the Westerly extension of the North line of a well site, following an existing chain link fence, North 82 degrees 28 minutes 47 seconds East, a distance of 84.65 feet to the Northeast corner thereof;

THENCE Southerly along the East line of said well site, following an existing chain link fence, South 13 degrees 29 minutes 00 seconds East, a distance of 31.68 feet to the Southeast corner thereof;

THENCE, Westerly along the South line of said well site, following an existing chain link fence, South 82 degrees 28 minutes 47 seconds West, a distance of 48.11 feet to the Southwest corner thereof;

THENCE, leaving said Southwest corner, South 10 degrees 03 minutes 02 seconds East, a distance of 142.36 feet to the Northeast corner of an existing chain link fence surrounding well site;

THENCE, Southerly along the East line of said well site, following an existing chain link fence, South 07 degrees 14 minutes 43 seconds East, a distance of 21.32 feet to a point on the Easterly extension of the North right-of-way line of Summit Street;

THENCE, Westerly along the Easterly extension being parallel with and 30.00 feet North of the South line of the Northwest quarter of said Section 6, South 89 degrees 23 minutes 00 seconds West, a distance of 36.83 feet to the TRUE POINT OF BEGINNING.

EXCEPT therefrom that portion conveyed in Warranty Deed recorded in Docket 10845 at page 526, described as follows:

That portion of the Southeast quarter of the Northwest quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

COMMENCING at the Southeast corner of the Northwest quarter of said Section 6;

THENCE South 89 degrees 23 minutes 00 seconds West along the South line of the Northwest quarter of said Section 6, a distance of 187.04 feet to a point on the East right-of-way line of Old Nogales Highway;

THENCE, leaving said South line, North 14 degrees 37 minutes 55 seconds West, a distance of 30.92 feet to a point on the Northerly line of Summit Street and the Easterly line of Old Nogales Highway;

THENCE North 89 degrees 23 minutes 00 seconds East along the North line of the Easterly extension of Summit Street, a distance of 36.83 feet;

THENCE North 07 degrees 14 minutes 43 seconds West, a distance of 21.32 feet;

THENCE North 08 degrees 52 minutes 08 seconds East, a distance of 148.24 feet to the TRUE POINT OF BEGINNING;

THENCE South 82 degrees 28 minutes 47 seconds West, a distance of 48.11 feet

THENCE North 06 degrees 01 minutes 48 seconds West, a distance of 31.53 feet;

THENCE North 82 degrees 28 minutes 47 seconds East, a distance of 44.00 feet;

THENCE South 13 degrees 29 minutes 00 seconds East, a distance of 31.68 feet to the TRUE POINT OF BEGINNING.
(Portion JV Arb 545)

Parcel 13B

Easement as set forth in Docket 10845 at page 528.

Parcel 19

An Easement interest in and to:

A portion of the West half of the Southeast quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, more particularly described as follows:

BEGINNING at the Southeast corner of the West half of the Southeast quarter of said Section 6;

THENCE Northerly along the East line of said West half, North 00 degrees 08 minutes 35 seconds East, a distance of 335.64 feet

THENCE continue North 00 degrees 08 minutes 35 seconds East along said East line, a distance of 977.41 feet;

THENCE South 88 degrees 33 minutes 03 seconds West, a distance of 156.03 feet;

THENCE North 00 degrees 08 minutes 35 seconds East, a distance of 279.28 feet;

THENCE South 88 degrees 34 minutes 25 seconds West, a distance of 156.03 feet;

THENCE South 00 degrees 08 minutes 35 seconds West, a distance of 20.00 feet to the POINT OF BEGINNING;

THENCE continue South 00 degrees 08 minutes 25 seconds West **(Record), South 00 degrees 08 minutes 35 seconds West (Measured),** a distance of 50.00 feet;

THENCE North 88 degrees 34 minutes 25 seconds East, a distance of 50.00 feet;

THNECE North 00 degrees 08 minutes 35 seconds East, a distance of 50.00 feet;

THENCE South 88 degrees 34 minutes 25 seconds West, a distance of 50.00 feet to the POINT OF BEGINNING.

(Portion JV Arb 831)

Exhibit "H"
Bill of Sale

For Ten Dollars and other good and valuable consideration paid ___**[insert applicable Seller]**_____, a(n) _____ ("**Seller**"), the receipt and sufficiency of which are acknowledged, Seller sells, transfers, conveys and assigns to Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona ("**Purchaser**"), all of Seller's right, title, and interest in and to that certain personal property listed on **Exhibit "A"** attached hereto and incorporated herein by this reference, including any and all warranties, if any, in connection with the same and the right to sue on any claim for relief under such warranties (the "**Personal Property**").

The Personal Property is sold in a used, and "as is, where is," condition, with all faults. Seller makes no warranties, express or implied, of any kind to Purchaser regarding the Personal Property, except as specifically set forth in this Bill of Sale.

Seller warrants to Purchaser that the Personal Property is free and clear of all liens, claims, and encumbrances in favor of any third party. Seller shall defend the title of the Personal Property against all acts of Seller and not otherwise.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale to be effective _____, 2009.

___**[insert applicable Seller]**_____,
a(n)_____

By:_____
Name:_____
Title:_____

EXHIBIT "A" TO BILL OF SALE

All personal property owned by Seller of any type or kind located on, or used in connection with the operation or maintenance of the Real Property, including, without limitation, the following:

[Insert list of personal property
comprising the Equipment, Inventory and Records]

EXHIBIT "B" TO BILL OF SALE

[INSERT LEGAL DESCRIPTION OF REAL PROPERTY]

Exhibit "I"

Assignment and Assumption of Contract Rights and Intangibles

THIS ASSIGNMENT AND ASSUMPTION OF CONTRACT RIGHTS AND INTANGIBLES (the "**Assignment**") is made to be effective as of _____, 2009 **[fill in with Closing Date]** (the "**Effective Date**"), between **[insert applicable Assignor]**_____, a(n) _____ ("**Assignor**"), and Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona ("**Assignee**").

RECITALS:

A. Under the terms of the Asset Purchase Agreement between Assignor, as Seller, and Assignee, as Purchaser, dated _____, 2009 (the "**Agreement**"), Assignor is assigning to Assignee and Assignee is acquiring all of Assignor's interest in, to and under the Contract Rights (as defined in Section 1 of the Agreement) and any guaranties relating to the same, all as more particularly described on **Exhibit "A"** attached hereto and incorporated herein by this reference (collectively, the "**Contract Rights**").

B. Assignor is also assigning to Assignee and Assignee is acquiring all of Assignor's legally assignable interest and obligations in, to and under the Licenses, Certificates, Warranties and Guaranties, Aid in Construction Agreements, (collectively, the "**Additional Contract Rights**") and the Goodwill and Records, which are all more fully described on **Exhibit "B"** attached hereto and incorporated herein by this reference and which pertain to or arise out of the ownership, operation or maintenance of the real property legally described on **Exhibit "C"** attached hereto and incorporated herein by this reference (the "**Property**").

AGREEMENTS:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as set forth below.

1. Assignment of Contract Rights. Assignor assigns, conveys and transfers to Assignee all of Assignor's right, title and interest in, to and under the Contract Rights and all claims and causes of action now existing under the same.

2. Assumption of Contract Rights. Assignee assumes and agrees to perform, fulfill and comply with all covenants and obligations to be performed, fulfilled or complied with by the holder of the interest of the person to whom service is due under the Contract Rights arising from and after the Effective Date.

3. Assignee's Indemnification of Assignor Under The Contract Rights. Assignee shall and does indemnify Assignor against, and agrees to hold Assignor harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without

limitation, reasonable attorneys' fees), incurred in connection with the Contract Rights, based upon or arising out of any breach or alleged breach of the Contract Rights by Assignee occurring or alleged to have occurred on or after the Effective Date.

4. Assignor's Indemnification of Assignee Under The Contract Rights. Assignor shall and does indemnify Assignee against, and agrees to hold Assignee harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys' fees), incurred in connection with the Contract Rights, based upon or arising out of any breach or alleged breach of the Contract Rights by Assignor occurring or alleged to have occurred before the Effective Date.

5. Assignment of Additional Contract Rights, Goodwill, and Records. Assignor assigns, conveys and transfers to Assignee, all of Assignor's right, title and interest in, to and under the Additional Contract Rights, Goodwill, and Records.

6. Assumption of Additional Contract Rights. Assignee assumes and agrees to pay all sums, and perform, fulfill and comply with all covenants and obligations to be performed and complied with by the holder of the interest of the person to whom service is due under the Additional Contract Rights arising on or after the Effective Date.

7. Assignee's Indemnification of Assignor Under The Additional Contract Rights. Assignee shall and does indemnify Assignor against, and agrees to hold Assignor harmless from, liabilities and losses incurred by Assignor as a result of claims brought against Assignor relating to causes of action under the Additional Contract Rights that accrue from and after the Effective Date.

8. Assignor's Indemnification of Assignee Under The Additional Contract Rights. Assignor shall and does indemnify Assignee against, and agrees to hold Assignee harmless from, all liabilities and any losses incurred by Assignee as a result of claims brought against Assignee, as Assignor's successor in interest under the Additional Contract Rights, relating to causes of action under the Additional Contract Rights that accrued before the Effective Date.

9. Cooperation. Assignor covenants and agrees to reasonably cooperate with Assignee, upon Assignee's request, in making any claim or bringing any action under or on account of the Contract Rights, Additional Contract Rights, or Proceeds or any of them; provided, however, it will be at no cost to Assignor.

10. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns.

11. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

12. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of Arizona.

13. Recitals. The Recitals set forth above are incorporated herein by this reference and are acknowledged by the parties to be true and correct.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

ASSIGNOR:

[insert applicable Assignor],
a(n)_____

By:_____
Name:_____
Title:_____
Date:_____

ASSIGNEE:

Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona

By:_____
Name:_____
Title:_____
Date:_____

EXHIBIT "A" TO ASSIGNMENT

[LIST OF CONTRACT RIGHTS]

EXHIBIT "B" TO ASSIGNMENT

EXHIBIT "C" TO ASSIGNMENT

[LEGAL DESCRIPTION OF PROPERTY]

Exhibit "J"
Special Warranty Deed

When recorded, return to:
Michael McNulty, Esq.
Lewis and Roca LLP
One South Church Avenue, Suite 700
Tucson, Arizona 85701-1611

SPECIAL WARRANTY DEED

For the consideration of the sum of Ten Dollars ($10.00) and other valuable consideration, ___**[insert applicable Grantor]**_____, a(n) _____("**Grantor**"), does hereby grant, sell and convey unto Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona, the following described real property located in Pima County, Arizona:

See **Exhibit "A"** attached hereto and by this reference made a part hereof (the "**Property**")

together with all rights, easements and privileges appurtenant thereto.

SUBJECT only to those matters set forth on **Exhibit "B"** attached hereto and by this reference made a part hereof.

Grantor warrants the title to the Property against all acts of Grantor subject only to the matters above set forth.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed this ____ day of _____, 2009.

_____**[insert applicable Grantor]**_____,
a(n)_____

By:_____
Title:_____
Name:_____

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this ____ day of _____, 2009, by _____, the _____ of _____, a(n) _____, on behalf of the _____.

_____
Notary Public

My Commission Expires:

_____

Exhibit "K"

Assignment and Assumption of Easement and Property Rights

When recorded, return to:
Michael McNulty, Esq.
Lewis and Roca, LLP
One South Church Avenue, Suite 700
Tucson, Arizona 85701-1611

Assignment of Easements and Property Rights

For good and valuable consideration and pursuant to that certain Asset Purchase Agreement dated as of _____ __, 2009 between Metropolitan Domestic Water Improvement District ("MDWID") and _____**[insert applicable Seller]**_____.

[Seller] hereby assigns and transfers to MDWID all right, title and interest of **[Seller]** under certain easements and property rights as set forth in **Exhibit "A"** hereto, as of the close of business on _____, 200__,

together with all rights, easements and privileges appurtenant thereto.

SUBJECT only to those matters set forth on **Exhibit "B"** attached hereto and by this reference made a part hereof.

Grantor warrants the title to the Property against all acts of Grantor subject only to the matters above set forth.

Dated: _____, 2009.

_____**[insert applicable Seller]**_____,

By:_____
Title:_____
Name:_____

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this ____ day of _____, 2009, by _____, the _____ of _____, a(n) _____, on behalf of the _____.

_____
Notary Public

My Commission Expires:

_____

Exhibit "A" to the
Assignment of Easements and Property Rights

Exhibit "L"

Form of Assignment and Assumption of Water Rights and Well Registrations

THIS ASSIGNMENT AND ASSUMPTION OF WATER RIGHTS AND WELL REGISTRATIONS (the "**Water Rights Assignment**") is made to be effective as of _____, 2009 **[fill in with Closing Date]** (the "**Effective Date**"), between **[insert applicable Assignor]**, a(n) _____ ("**Assignor**"), and Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona ("**Assignee**").

RECITAL: Under the terms of the Asset Purchase Agreement between Assignor, as Seller, and Assignee, as Purchaser, dated _____, 2009 (the "**Agreement**"), Assignor is assigning to Assignee and Assignee is acquiring all of Assignor's interest in, to and under the Water Rights and Well Registrations as defined in the Agreement, all as more particularly described on **Exhibit "A"** attached hereto and incorporated herein by this reference (collectively, the **"Water Rights"**).

AGREEMENT: NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as set forth below.

1. Assignment of Water Rights. Assignor assigns, conveys and transfers to Assignee all of Assignor's right, title and interest in, to and under the Water Rights and all claims and causes of action now existing under the same.

2. Assumption of Water Rights. Assignee assumes all covenants and obligations related to the ownership of the Water Rights arising from and after the Effective Date.

3. Assignee's Indemnification of Assignor under the Water Rights. Assignee shall and does indemnify Assignor against, and agrees to hold Assignor harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys' fees), incurred in connection with the Water Rights, based upon or arising out of any breach or alleged breach of the Water Rights by Assignee occurring or alleged to have occurred on or after the Effective Date.

4. Assignor's Indemnification of Assignee under the Water Rights. Assignor shall and does indemnify Assignee against, and agrees to hold Assignee harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys' fees), incurred in connection with the Water Rights, based upon or arising out of any breach or alleged breach of the Water Rights by Assignor occurring or alleged to have occurred before the Effective Date.

5. Assignee's Indemnification of Assignor under the Water Rights. Assignee shall and does indemnify Assignor against, and agrees to hold Assignor harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys' fees), incurred in connection with the Water Rights, based upon or

arising out of any breach or alleged breach of the Water Rights by Assignee occurring or alleged to have occurred after the Effective Date.

6. Cooperation. Assignor covenants and agrees to reasonably cooperate with Assignee, upon Assignee's request, in making any claim or bringing any action under or on account of the Water Rights.

7. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns.

8. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

9. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of Arizona.

10. Recitals. The Recitals set forth above are incorporated herein by this reference and are acknowledged by the parties to be true and correct.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

ASSIGNOR:

[insert applicable Assignor],
a(n)_____

By:_____
Name:_____
Title:_____
Date:_____

ASSIGNEE:

Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona

By:_____
Name:_____
Title:_____
Date:_____

EXHIBIT "A" TO ASSIGNMENT OF WATER RIGHTS

[LIST OF WATER RIGHTS, WELL REGISTRATIONS, STATEMENTS OF CLAIMANT AND SERVICE AREA RIGHTS]

Municipal Provider Service Area Right No. 56-_____
{Insert number of the applicable Assignor}

Well Registrations Nos. 55-
{Insert numbers of the applicable Assignor}

Statements of Claim To Public Water Appropriated Prior to 1919 No. 36-_____(none)

Statements of Claimant Nos. 39-_____ (if any)
{Insert data relative to the applicable Assignor}

Certificates of Surface Water Right (none)

Irrigation or Non-irrigation Grandfathered Groundwater Rights (none)

Exhibit "M"

Form of Certificate re RUCO and ACC Assessments

[Insert name of applicable Seller] hereby certifies that (i) the annual Arizona Corporation Commission ("ACC") assessment, due and payable pursuant to A.R.S. § 40-401, and (ii) the Annual Residential Utility Consumer Office Assessment, due and payable pursuant to A.R.S. § 40-401.01, have been paid in full for gross operating revenues received by the company during calendar 2008.

Dated this _____ day of _____, 2009.

[insert name of applicable Seller]

By:_____

Title:_____

Name:_____

Exhibit "N"
New Customer Premium Payment Schedule

Exhibit "A"

Aid in Construction Agreements

Diablo Village Water Company

Summary of Three Extant Main Extension Agreements Entered into by the Diablo Village Water Company

MXA between DVW and **HB. Diablo, LLC**	June 16, 2006 Agreement to serve Caddis Haley Estates, Lots 1-161	T15S, R12E, Section 16
MXA between DVW and **KB Homes Tucson, Inc.**	December 8, 2006 Agreement to serve Sonoran Ranch Estates II (7 approvals to construct)	T15S, R12E, Section 8 Exhibit A (Lots owned/to be served): Lots 1-309, 320-368, 409-430, 456-477, 496-510, 541-548, and 571-572 Approvals to Construct: **(1) March 9, 2006:** Phase 1A, Lots 1-16, and 53-128 **(2) March 9, 2006:** Phase 2A & 3B, Lots 17-52, and 129-212 **(3) March 27, 2006:** Lots 213-337 **(4) March 27, 2006:** Lots 338-368 **(5) March 27, 2006:** Lots 456-477, 496-510, and 571-572 (superseded) **(6) May 3, 2006:** *Supersedes March 27*, 2006 Approval in order to add Lots 541-548 **(7) June 24, 2006:** Lots 369-408, 431-455, 478-495, 511-540, and 549-570
MXA between DVW and **Sierra Pacific Homes, LLC**	April 6, 2007 Agreement to serve Sonoran Ranch Estates II (2 Approvals to Construct)	T15S, R12E, Section 8 Exhibit A (Lots owned/to be served): Lots 310-319, 369-408, 431-455, 478-495, 511-540, and 549-570 Approvals to Construct: **(1) March 27, 2006:** Lots 213-337 **(2) June 24, 2006:** Lots 369-408, 431-455, 478-495, 511-540, and 549-570

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

ARIZONA CORPORATION COMMISSION

BRIAN C. McNEIL
Executive Director

December 8, 2006

Ms. Robin M. Thim
Diablo Village Water Company
Post Office Box 13145
Tucson, Arizona 85732

Dear Ms. Thim:

The enclosed Main Extension Agreement between Diablo Village Water Company and KB Home Tucson Inc./Sonoran Ranch Estates II has met the provisions of A.A.C. R14-2-406, or company approved tariffs, and is approved, excepting those provisions, if any, not within the jurisdiction of the Arizona Corporation Commission.

A copy of this agreement will remain on file in the Utilities Division's Central Files.

Sincerely,

Bradley G. Morton

Bradley G. Morton
Public Utility Consumer Service Analyst II
Utilities Division

BGM:tdp

Enclosures

DIABLO VILLAGE WATER COMPANY
WATER LINE EXTENSION AGREEMENT

This Water Line Extension Agreement (this "Agreement") is between DIABLO VILLAGE WATER COMPANY, an Arizona corporation, ("Utility"), with offices at 6810 East Broadway Boulevard, Tucson, Arizona 85710 and KB HOME TUCSON INC., an Arizona corporation ("Builder"), with offices at 250 South Craycroft Road, Suite 300, Tucson, Arizona 85711.

RECITALS

A. Utility holds a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission (the "Commission") that authorizes Utility to provide public utility water service within the planned community of Sonoran Ranch Estates II.

B. Builder proposes to develop a Subdivision within Diablo Village Water Company.

C. Diablo Village Water Company requires that Builder enter into a line extension agreement with Utility, in accordance with "current tariffs and rules and regulations approved by the Commission" and further describes Builder's obligations.

D. This Agreement is intended to cover Builder's construction and transfer to Utility of "On-Site Subdivision Facilities," and Utility's refund to Builder of advances in aid of construction made by Builder.

AGREEMENT

In consideration of the foregoing recitals, the parties agree as follows:

1. Definitions. Capitalized terms are defined as follows:

1.1. "Distribution Facilities" means the water related facilities needed to be designed, constructed or installed by Builder for the purpose of providing water service to individual lots, housing, or commercial units within Subdivision as set forth in Exhibit A.

1.2. "Equivalent Residential Unit" (or "ERU") means a single-family residential dwelling located within Subdivision or - in the case of commercial or multi-family customers (excluding right-of-way irrigation) within Subdivision - its equivalent based on the manufacturer's rated capacity of the meter.

1.3. "Final Acceptance" means Utility's written acceptance of the Distribution Facilities, to be issued after Operational Acceptance, and full completion of such facilities, and after Builder has provided all required submittals set forth in Paragraph 6.12 and all fees set forth in Paragraphs 6.4 and 6.5.

1.4. Master Plan" means the approved water master-plan report has been submitted to the Utility by Builder's engineer, showing sizes and approximate locations of Distribution Facilities to be constructed to allow Utility to provide water service to Subdivision.

1.5. "PDEQ" means the Pima County Department of Environmental Quality.

1.6. "Operational Acceptance" means Utility's written acceptance of the construction of the Distribution Facilities, subject to further inspection by Utility and Builder's correction of any outstanding punch-list items.

1.7. "Subdivision" means a residential parcel to be constructed by Builder, with Single Family Homes totaling approximately 427 lots and approximately _____ net acres, located within Diablo Village Water Company's ACC Certificated Area, as more particularly described on Exhibit A.

1.8. "Utility" means Diablo Village Water Company, an Arizona corporation, its successors and assigns.

2. Authorizations:

2.1. Utility will timely use its best efforts to obtain and renew any authorizations that are required by law or regulation to provide water services to the Subdivision. These authorizations include but are not limited to certificates of convenience and necessity, operating agreements, franchises, permits, and similar authorizations obtained from regulatory agencies and other governmental agencies.

2.2. Builder will obtain a Certificate of Approval to Construct from PDEQ and all required zoning clearances, construction permits and similar authorizations from regulatory agencies and other governmental agencies for all Distribution Facilities, or other facilities to be constructed by Builder.

2.3. Utility's obligations under this Agreement are contingent upon each party's receipt of all authorizations described in this Article 2. Utility is not liable to Builder or its contractors and subcontractors for damages if Builder begins construction or authorizes the start of construction before these authorizations are obtained.

2.4. After all exhibits to this Agreement are completed, and the Certificate of Approval to Construct is obtained, Utility will promptly apply to the Commission for approval of this Agreement.

3. Master Plan. Builder has prepared a Master Plan that shows the locations and sizing of all Distribution Facilities. To the extent not inconsistent with this Agreement, the Master Plan, is incorporated in and is a part of this Agreement. Any amendments to the Master Plan must be approved in writing by Utility. Once Utility approves an amendment to the Master Plan, the amended Master Plan becomes part of this Agreement.

4. Distribution Facilities.

4.1. Builder will design, construct and install, or cause to be designed, constructed or installed, the Distribution Facilities, as detailed in the Master Plan. Builder's estimated schedule of materials, unit quantities, and costs is set forth in Exhibit B. Builder will pay all of the costs of constructing, installing, and connecting the Distribution Facilities including, but not limited to, the costs of engineering, materials, labor, transportation, equipment, necessary permits and approvals, easements, testing, corrections, insurance, and bonds.

4.2. Builder will schedule completion of the Distribution Facilities to enable Utility to provide water service to the Subdivision as such service is requested.

4.3. If requested by Utility, Builder will oversize the Distribution Facilities according to Utility's specifications. Utility will reimburse Builder for the amount by which the material prices of the oversized facilities exceed the actual material prices of these facilities if not oversized. After Utility's Final Acceptance of the oversized Distribution Facilities, Builder may request reimbursement by submitting a written invoice to Utility. Utility will pay the invoice within thirty (30) days of its receipt.

4.4. Before Final Acceptance, or upon requesting water service, whichever is first, Builder will submit, as an advance in aid of construction, a cash payment for meter installations as specified in Utility's then-current service and meter installation tariff, for each water meter to be set, by Utility. Within five (5) days after Utility approves Builder's request. Utility will install a water meter and begin service to a unit.

4.5. Before Final Acceptance of any phase of the Distribution Facilities, or upon requesting water service, whichever is first, Builder will submit a cash payment, based on meters to be installed by Utility, to pay for any water facilities hook-up fees. These fees are specified in more detail in Utility's approved tariffs, will be contributions in aid of construction and will not be refunded or credited in any way.

4.6. All plans, specifications, construction and installation of the Distribution Facilities must accord with good Utility practices, the rules, regulations, and requirements of the Arizona Department of Environmental Quality, Utility's specifications and details, and the requirements of all other governmental agencies with jurisdictional Builder will submit to Utility, for its review and approval, all plans and specifications, as well as preliminary plats, final plats, address maps, projected home closings by quarter, and other items reasonably requested by Utility. Construction will not commence until all plans and specifications have been approved in writing by Utility. Utility will not unreasonably withhold or delay its approval. Builder must begin substantial construction within one year from the date of the initial plan approval. If Builder begins construction of any facilities before all required approvals have been obtained, this construction will be at Builder's sole risk and subject to repair, alteration, or reconstruction at Builder's expense as directed by Utility or any governmental agency.

4.7. Before beginning construction of any Distribution Facilities, Builder will,

at no cost to Utility, convey, or cause to be conveyed, to Utility, all necessary, perpetual non-exclusive fights-of-way and easements, in forms reasonably satisfactory to Utility's counsel, and obtain all necessary zoning and other governmental approvals.

4.8. Utility will provide, and Builder will comply with, inspection and testing requirements for the Distribution Facilities, Builder will notify Utility when the Distribution Facilities under construction are ready for inspection and testing. Utility will then promptly inspect these Distribution Facilities to determine if it can issue Operational Acceptance. Utility will not issue Operational Acceptance unless it has determined, following inspection and testing, that the Distributional Facilities have been constructed in accordance with the approved plans and specifications and will operate satisfactorily. Following an inspection, Builder will promptly correct all defects and deficiencies in construction, materials and workmanship.

4.9. Distribution Facilities will not be placed in service until: (i) Utility has completed its operational inspection; (ii) Utility has issued its Operational Acceptance; and (iii) PDEQ has issued its Approval of Construction.

4.10. Utility's Operational Acceptance may contain a punch list of items that require correction. Once all items are corrected to Utility's reasonable satisfaction, Utility will promptly issue a written Final Acceptance. Otherwise, all punch list items must be corrected to Utility's reasonable satisfaction before Utility will issue a Final Acceptance. For one year after Utility's written Operational Acceptance, Builder will, upon Utility's request, promptly correct all defects and deficiencies in constriction,, materials and workmanship discovered by Utility. Builder will also repair or cause to be repaired promptly, and at no cost to Utility, all damage to the Distribution Facilities caused by construction operations within Subdivision.

4.11. Upon Operational Acceptance all Distribution Facilities become and remain Utility's sole property without the requirement of any written document of transfer. Builder will, however, furnish any document pertaining to ownership and title that may be requested by Utility, including documents that evidence or confirm transfer of possession to Utility, and good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Builder. All risk of loss of Distribution Facilities remains with Builder until written Operational Acceptance by Utility of Distribution Facilities. Builder acknowledges that Utility has the right to, and may, connect its existing or future water systems to the Distribution Facilities.

5. Advances in Aid of Construction.

5.1. Upon Operational Acceptance, Builder's cost of construction and installation of Distribution Facilities will be treated as advances in aid of construction and eligible for refund under Paragraph 5.3

5.2. If all or any portion of Builder's advances in aid of construction, whether already paid or to be paid, will constitute taxable income to Utility, Builder will advance funds to Utility in an amount required to gross-up the advance so that Utility's after-tax

benefit will equal what it would be if no taxes were owed. For advances already made, Builder will remit the required funds to Utility within thirty (30) days after Utility notifies Builder that the advances will likely constitute taxable income. Future advances, if any, will also be grossed up once Utility notifies Builder that the advances will likely constitute taxable income. Utility's notice will include documentation reasonably necessary to substantiate its liability for income taxes, such as a determination or notification by a governmental authority, amendment to the Internal Revenue Code, a regulation promulgated by the Internal Revenue Service, or similar change to any statute, rule or regulation relating to this matter. If additional funds are paid by Builder under this paragraph, these funds will also constitute advances in aid of construction. Builder also indemnifies and holds Utility harmless for, from, and against any tax-related interest, fines and penalties assessed against Utility and other costs and expenses incurred by Utility, including legal fees, as a consequence of Builder's late payment of the amounts described above.

The gross-up amount will be calculated as follows: $G=A \times R/(1-R)$; Where: G = Gross-up amount; A = Amount of advances; and R = Percentage tax rate.

5.3. Refunds of advances in aid of construction will be made in accordance with this paragraph. There will be five (5) consecutive refund years for Distribution Facilities. Refund year one (1), which may be a partial year, will begin on the date utility service begins under paragraph 4.9 and will end on the next June 30. Refund years two through five (1-5) will each date from July 1 to June 30. Each refund year Utility will refund ten-percent (10%) of Utility's total tariffed water revenues from customers in the Subdivision (excluding all gross receipts taxes or sales taxes, and all District, Municipal, County, State or Federally imposed regulatory assessments). For each refund year, Utility will pay a refund to Builder by the August 31 after the end of the refund year. Refunds will be paid for each of the refund years in which Utility receives revenue, but the total refunds to be paid for Distribution Facilities cannot exceed the total amounts paid by Builder as advances in aid of construction. Any balance remaining at the end of the five-year period is nonrefundable. No interest will be earned or paid on any advance in aid of construction.

6. General Provisions.

6.1. After satisfaction of the following conditions, Utility will provide water service to the Subdivision in accordance with the rates, charges and conditions set forth in Utility's Commission-approved tariffs: (i) Utility has issued Operational Acceptance of the Distribution Facilities; (ii) ADEQ has issued its Approval of Construction; and (iii) Builder has paid all fees required by this Agreement or by the terms of Utility's then current and applicable tariffs. Utility's rates, charges and tariffs are subject to change from time to time upon approval by the Commission.

6.2. Utility will provide Builder water for construction uses within Subdivision, but only if water is available after serving all other customers connected to Utility's system. Utility expects to meter all water, but upon Builder's requests to use un-metered water and Utility's approval, water used to construct water and wastewater

facilities may be un-metered. Utility will estimate, in accordance with Utility's standard procedures, all un-metered water usage. Whether estimated or metered, Utility will bill Builder at Utility's then-current tariff rate. Utility may estimate and bill Builder for any unauthorized un-metered water use for Subdivision. If Builder continues to use unauthorized un-metered water use after Utility notifies Builder to stop using unauthorized un-metered water, Utility may terminate this Agreement and have no further obligation to provide water service.

6.3. Utility will use its best efforts to maintain satisfactory and continuous service, but does not guarantee a continuous supply of water service. Utility is not liable for damages occasioned by interruptions or failure to commence service or unsatisfactory service or any act or failure to act arising out of this Agreement caused by an act of God or the public enemy, accident, fire, explosions, strikes, riots, war, delay in receiving shipments of required material, order of any court or judge granted in any bona fide adverse legal proceedings or action, or any order of any commission or tribunal having jurisdiction in the premises; or without limitation by the preceding enumeration, any other act or thing reasonably beyond its control, or incident to interruptions necessary for repairs or changes in Utility's production, storage, transmission, and distribution facilities.

6.4. Utility does not warrant, guarantee, or represent that the water utility services it provides will comply with any fire-protection requirements of any governmental agency, or of any county, municipal, or private fire-protection providers. Utility will only supply water at pressures required under A.A.C. R14-2-407.F for the normal operation of its system, but at not less than a pressure of 20 pounds per square inch.

6.5. Builder must abandon all wells within Subdivision that are not owned or to be owned by Utility, an irrigation authority, or a water district, in accordance with A.A.C. R-l2-l5-816, the rules and orders of the Arizona Department of Water Resources, and Utility's rules, standards and specifications for well abandonment. Utility will not provide Operational Acceptance of the Distribution Facilities before Builder abandons all wells identified by Utility, and Utility approves all well abandonments in writing.

6.6. If a party waives or fails to enforce any provision of' this Agreement, it does not mean that the party has generally waived the Agreement or relinquished any rights under the Agreement, and the Agreement remains in full force and effect.

6.7. Communications under this Agreement should be should be addressed as follows:

Builder: KB Home Tucson Inc.
Attn: Jennifer D. Murray
250 South Cray Croft, Suite ~~300~~ 400
Tucson, Arizona 85711
Facsimile Number: (520) 577-8972

Utility: Diablo Village Water Company
Attn: Robin M. Thim
P.O. Box 13145
Tucson, AZ 85732
Facsimile Number: (520) 290-8999

Either party may change its address by notifying the other party in writing.

6.8. Utility is not an agent for Builder and will not incur any costs or expenses on behalf of Builder. Builder is not an agent for Utility and will not incur any costs or expenses on behalf of Utility.

6.9. This Agreement is governed by the laws of the State of Arizona, and its performance is subject to regulation by the State of Arizona, and Arizona and federal regulatory agencies with jurisdiction.

6.10. There are no oral or collateral agreements between the parties concerning the subject matter of this Agreement and any reasonably-related matters and this Agreement sets forth the entire understanding between the parties. All changes or amendments to this Agreement must be in writing and signed by the parties. If the Distribution Facilities will be designed or constructed in two or more phases, this Agreement applies to all such phases.

6.11. Builder may once assign its rights, obligations, and interest in this Agreement. Builder will timely notify Utility of assignee's new contact information under paragraph 6.7 of this Agreement and provide Utility a copy of the assignment document. Any additional attempted assignment of this Agreement without Utility's prior written consent is void. This Agreement binds and inures to the benefit of the parties, and their respective legal representatives, successors and assigns.

6.12. This Agreement is void - unless waived in writing by Utility - if Builder does not begin construction within one (1) year from the date of this Agreement. At least thirty (30) days before the date, Builder may issue a written request to Utility to extend this Agreement for a period of up to six months. The request for extension must set forth with particularity the circumstances requiring the extension, state Builder's new proposed construction start date, and include a reasonable schedule to meet that date. Utility's approval of the request for extension will not be unreasonably withheld.

6.13. Builder estimates a construction start date of August, 2006 and a construction completion date of December, 2007.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of this ____ day of _____, 2006.

BUILDER:

KB HOME TUCSON INC., an Arizona corporation

By: _____
Name: _____
Its: _____

UTILITY:

DIABLO VILLAGE WATER COMPANY, an Arizona corporation

By: _____
Name: Robin M. Thim
Its: President

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me this 1st day of August, 2006, by Robert A. Bambauer, the SVP of KB HOME TUCSON INC., an Arizona corporation, on behalf of the corporation.

Becky A. Callahan
Notary

My Commission Expires
09-30-09

OFFICIAL SEAL
BECKY A. CALLAHAN
NOTARY PUBLIC - STATE OF ARIZONA
PIMA COUNTY
My Comm. Expires Sept. 30, 2009

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me this 4th day of August, 2006, by Robin M Thim, the President of ARIZONA DIABLO VILLAGE WATER COMPANY, an Arizona corporation, on behalf of the corporation.

Notary

My Commission Expires
4/25/07

CINDY L. SHUMATE
Notary Public - Arizona
Pima County
My Commission Expires
April 25, 2007

KBHome

EXHIBIT A

LOTS CURRENTLY OWNED BY BUILDER

Builder has purchased lot numbers 1 - 309, 320 - 368, 409 - 430, 456 - 477, 496 - 510, 541 - 548 and 571 – 572 in the community commonly known as Sonoran Ranch Estates II, Pima County, Tucson, Arizona.

-CONFIDENTIAL- SRE II bid spread

Ashton	Qty A	Qty B	Qty C	Unit	Unit Price	Total
Sewer						
8" PVC SDR 35 Sewer	6,734			LF	$ 49.00	$ 329,966.00
8" PVC SDR 35 Sewer		9,992		LF	$ 33.00	$ 329,736.00
8" PVC SDR 35 Sewer			3,600	LF	$ 31.50	$ 113,400.00
8" DIP	468			LF	$ 84.00	$ 39,312.00
4" PVC SDR 35 services		422		EA	$ 1,065.00	$ 449,430.00
4" PVC SDR 35 services			145	EA	$ 1,130.00	$ 163,850.00
4" Ductile services		5		EA	$ 3,225.00	$ 16,125.00
4' Manholes	42			EA	$ 5,300.00	$ 222,600.00
4' Manholes		47		EA	$ 3,000.00	$ 141,000.00
4' Manholes			12	EA	$ 2,750.00	$ 33,000.00
Jack & Bore 8" sewer	142			LF	$ 631.00	$ 89,602.00
Mobilization						
Sewer Total						$ 1,928,021.00
Sewer per lot						$ 3,370.67
Waterline						
12" PVC Waterline	417			LF	$ 69.00	$ 28,773.00
12" X 8" TS & V assembly	1			EA	$ 2,365.00	$ 2,365.00
8" X 8" TS & V assembly	1			EA	$ 2,200.00	$ 2,200.00
8" PVC C900 Waterline	4,254			LF	$ 42.00	$ 178,668.00
8" Gate Valves	10			EA	$ 1,009.00	$ 10,090.00
6" Gate Valves			8	EA	$ 750.00	$ 6,000.00
6" Gate Valves	15			EA	$ 722.00	$ 10,830.00
6" Gate Valves		16		EA	$ 600.00	$ 9,600.00
6" PVC Cxxxx Waterline	702			LF	$ 34.00	$ 23,868.00
6" PVC Cxxxx Waterline			3,731	LF	$ 29.50	$ 110,064.50
6" PVC Cxxxx Waterline		9,216		LF	$ 30.00	$ 276,480.00
4" PVC CL x00 Waterline		933		LF	$ 25.00	$ 23,325.00
1" air release valve (ARV)	8			EA	$ 940.00	$ 7,520.00
1" air release valve (ARV)			7	EA	$ 850.00	$ 5,950.00
1" air release valve (ARV)		10		EA	$ 750.00	$ 7,500.00
2" Blowoff (DVA)	14			EA	$ 1,972.00	$ 27,608.00
2" Blowoff (DVA)		7		EA	$ 2,350.00	$ 16,450.00
Fire Hydrant complete (5' bury)	8			EA	$ 3,088.00	$ 24,704.00
Fire Hydrant Assembly			8	EA	$ 3,000.00	$ 24,000.00
Fire Hydrant Assembly		19		EA	$ 2,750.00	$ 52,250.00
Fire Hydrant on Existing Stub		4		EA	$ 1,875.00	$ 7,500.00
1"Poly DBL services (Eagle Rock copper)		185	0	EA	$ 825.00	$ 152,625.00
1"Poly DBL services (Eagle Rock copper)			60		$ 800.00	$ 48,000.00
3/4" poly single service		55	27	EA	$ 650.00	$ 53,300.00
Jack & Bore 8" - Razor Bill Dr	80			LF	$ 520.00	$ 41,600.00
Culvert Crossing - Razor Bill Dr.	80			LF	$ 101.00	$ 8,080.00
Box Culvert Crossing - Bullfinch Dr.	82			LF	$ 98.00	$ 8,036.00
Culvert Crossing - Screech Owl Dr.		20		LF	$ 105.00	$ 2,100.00
Culvert Crossing - Shearwater Dr.		30		LF	$ 92.00	$ 2,760.00
Culvert Crossing - Green Kingfisher Dr.		35		LF	$ 88.00	$ 3,080.00
Culvert Crossing - Redshank Dr.		45		LF	$ 85.00	$ 3,825.00
Mobilization		5,000	27,500	LS	$ 1.00	$ 32,500.00
Construction Water				LS		
4" AC Replacement	200			LF	$ 33.00	$ 6,600.00
Waterline Total						$ 1,218,251.50
Waterline per lot						$ 2,129.81

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY
TECHNICAL SERVICES DIVISION
150 West Congress, 1st Floor, Tucson, Arizona 85701-1317
Telephone: 740-3340

CERTIFICATE OF APPROVAL TO CONSTRUCT
Water Facilities

System Name: DIABLO VILLAGE WATER COMPANY System No.: 10-357

Project Owner: DIABLO VILLAGE WATER COMPANY

Address: P.O. BOX 13145, TUCSON, ARIZONA 85732-3145

Project Location: T-15-S, R-12-E, SECTION 8 County: PIMA

Description: WATER EXTENSION TO SERVE SONORAN RANCH ESTATES II, LOTS 456-477, 496-510, 541-548 AND 571-572.

Approval to construct the above, described facilities as represented in the approved plan on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

AFTER COMPLETION OF CONSTRUCTION, A PROFESSIONAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA SHALL COMPLETE A FINAL INSPECTION AND SUBMIT AN ENGINEER'S CERTIFICATE OF COMPLETION, ACCURATE "AS BUILT" PLANS, PRESSURE TEST RESULTS, CHLORINATION RESULTS AND MICROBIOLOGICAL TESTING RESULTS TO PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY IN ORDER TO OBTAIN AN APPROVAL OF CONSTRUCTION. THOSE PLANS MUST BE CLEAR BLUELINE PRINTS SUITABLE FOR MICROFILMING AND SHALL CLEARLY AND ADEQUATELY REPRESENT THE FACILITIES AS THEY ARE CONSTRUCTED.

The State law, A.R.S. 49-353, requires that construction of the project must be in accordance with the rules and regulations of the Arizona Department of Environmental Quality.

If this project includes trenching, land stripping, earthmoving or road construction, an air quality activity permit may be required pursuant to P. C. C. Title 17.12.470. For inquires, regarding air quality activity permits, please call 740-3957.

If construction has not started within one year of the date of this issue, this certificate will be void and a written extension of time shall be required.

Date Approved: May 3, 2006
This approval supercedes the approval dated 3/27/06 to account for a change in lot numbers for this project.

Ursula Kramer,
Director

By: M. Redmond
Mike Redmond, R.S.
Environmental Planning Mgr

By: David Amash
David Amash, P.E.
Civil Engineer

Cc: P-File No. PO09506
ADEQ, SRO
Diablo Village Water Co.
Engineer- Castro Engineering

G:\Water\Water-Sewer Plan Review\Approvals\PO09506.wtr.doc

A

WATER USE DATA SHEET

NAME OF COMPANY →	Diablo Village Water Company
ADEQ Public Water System No. →	10-357

MONTH/YEAR (Last 13 Months	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)
March 2006	829	6,616
February 2006	813	8,046
January 2006	782	6,655
December 2005	756	4737
November 2005	734	2927
October 2005	720	3355
September 2005	700	3500
August 2005	656	3120
July 2005	618	3177
June 2005	562	4397
May 2005	501	3480
April 2005	468	2666
March 2005	424	3076

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
200,000	1	55 801496	400

Other Water Sources in Gallons per Minute →	GPM 500
Fire Hydrants on System →	(Yes) No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	55,752

-CONFIDENTIAL- SRE II bid spread

UPDATED 02NOV05

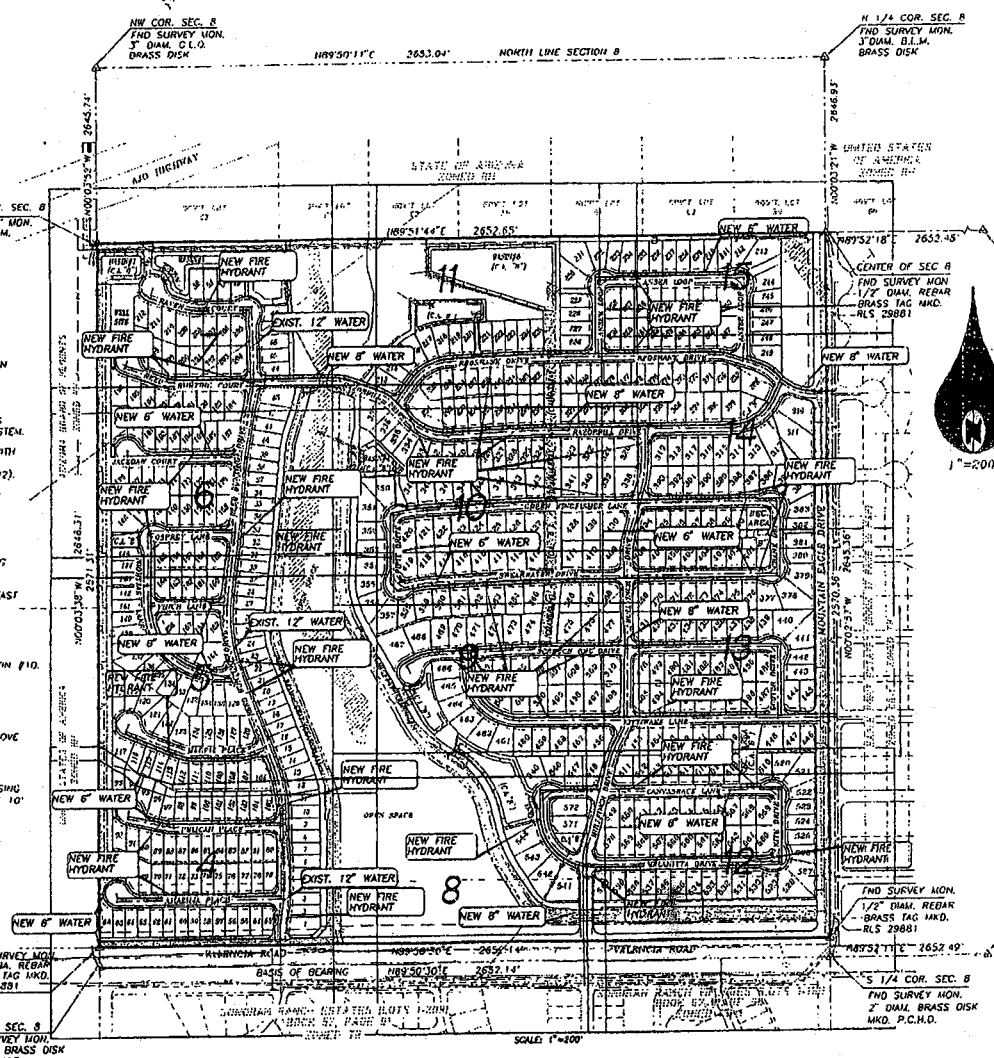
	Ashton					
	Qty A	Qty B	Qty C	Unit	Unit Price	Total
Sewer						
8" PVC SDR 35 Sewer	6,734			LF	$ 49.00	$ 329,966.00
8" PVC SDR 35 Sewer		9,992		LF	$ 33.00	$ 329,736.00
8" PVC SDR 35 Sewer			3,600	LF	$ 31.50	$ 113,400.00
8" DIP	468			LF	$ 84.00	$ 39,312.00
4" PVC SDR 35 services		422		EA	$ 1,065.00	$ 449,430.00
4" PVC SDR 35 services			145	EA	$ 1,130.00	$ 163,850.00
4" Ductile services		5		EA	$ 3,225.00	$ 16,125.00
4' Manholes	42			EA	$ 5,300.00	$ 222,600.00
4' Manholes		47		EA	$ 3,000.00	$ 141,000.00
4' Manholes			12	EA	$ 2,750.00	$ 33,000.00
Jack & Bore 8" sewer	142			LF	$ 631.00	$ 89,602.00
Mobilization						
Sewer Total						$ 1,928,021.00
Sewer per lot						$ 3,370.67
Waterline						
12" PVC Waterline	417			LF	$ 69.00	$ 28,773.00
12" X 8" TS & V assembly	1			EA	$ 2,365.00	$ 2,365.00
8" X 8" TS & V assembly	1			EA	$ 2,200.00	$ 2,200.00
8" PVC C900 Waterline	4,254			LF	$ 42.00	$ 178,668.00
8" Gate Valves	10			EA	$ 1,009.00	$ 10,090.00
6" Gate Valves			8	EA	$ 750.00	$ 6,000.00
6" Gate Valves	15			EA	$ 722.00	$ 10,830.00
6" Gate Valves		16		EA	$ 600.00	$ 9,600.00
6" PVC Cxxxx Waterline	702			LF	$ 34.00	$ 23,868.00
6" PVC Cxxxx Waterline			3,731	LF	$ 29.50	$ 110,064.50
6" PVC Cxxxx Waterline		9,216		LF	$ 30.00	$ 276,480.00
4" PVC CL x00 Waterline		933		LF	$ 25.00	$ 23,325.00
1" air release valve (ARV)	8			EA	$ 940.00	$ 7,520.00
1" air release valve (ARV)			7	EA	$ 850.00	$ 5,950.00
1" air release valve (ARV)		10		EA	$ 750.00	$ 7,500.00
2" Blowoff (DVA)	14			EA	$ 1,972.00	$ 27,608.00
2" Blowoff (DVA)		7		EA	$ 2,350.00	$ 16,450.00
Fire Hydrant complete (5' bury)	8			EA	$ 3,088.00	$ 24,704.00
Fire Hydrant Assembly			8	EA	$ 3,000.00	$ 24,000.00
Fire Hydrant Assembly		19		EA	$ 2,750.00	$ 52,250.00
Fire Hydrant on Existing Stub		4		EA	$ 1,875.00	$ 7,500.00
1"Poly DBL services (Eagle Rock copper)		185	0	EA	$ 825.00	$ 152,625.00
1"Poly DBL services (Eagle Rock copper)			60		$ 800.00	$ 48,000.00
3/4" poly single service		55	27	EA	$ 650.00	$ 53,300.00
Jack & Bore 8" - Razor Bill Dr	80			LF	$ 520.00	$ 41,600.00
Culvert Crossing - Razor Bill Dr.	80			LF	$ 101.00	$ 8,080.00
Box Culvert Crossing - Bullfinch Dr.	82			LF	$ 98.00	$ 8,036.00
Culvert Crossing - Screech Owl Dr.		20		LF	$ 105.00	$ 2,100.00
Culvert Crossing - Shearwater Dr.		30		LF	$ 92.00	$ 2,760.00
Culvert Crossing - Green Kingfisher Dr.		35		LF	$ 88.00	$ 3,080.00
Culvert Crossing - Redshank Dr.		45		LF	$ 85.00	$ 3,825.00
Mobilization		5,000	27,500	LS	$ 1.00	$ 32,500.00
Construction Water				LS		
4" AC Replacement	200			LF	$ 33.00	$ 6,600.00
Waterline Total						$ 1,218,251.50
Waterline per lot						$ 2,129.81

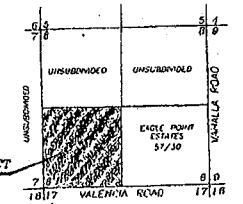
WATER MAINS AND VALVES

1. TUCSON WATER STANDARD DETAIL No. 105, "GENERAL CONTRACT NOTES," SHALL APPLY AND BECOME AN INTEGRAL PART OF THIS CONTRACT. ALL DESIGN STANDARDS, MATERIALS, AND WORKMANSHIP ARE TO BE IN ACCORDANCE WITH TUCSON WATER STANDARD SPECIFICATIONS AND DETAILS, 2001 EDITION.
2. WATER LINES SHALL HAVE A MINIMUM OF 44" OF COVER IN PUBLIC RIGHT-OF-WAY AND AT WASH CROSSINGS.
3. ALL LINES 4" IN DIAMETER AND LARGER, SHALL BE PVC CONFORMING TO AWWA C-900 STANDARD SPECIFICATIONS AND TUCSON WATER SPECIFICATIONS.
4. ALL SERVICE LINES SHALL BE COPPER PER TW SD-310 & 311 SPECIFICATIONS.
5. VALVES SHALL BE RESILIENT-SEATED GATE VALVES PER AWWA SPECIFICATION C-509.
6. USE THRUST BLOCKS (TW SD-610) EXCEPT AT 45° USE MEGALUGS OR EQUIVALENT (TW SD-608)

GENERAL NOTES

1. PRIOR TO CLEARING THE RIGHT-OF-WAY FOR CONSTRUCTION, CONTRACTOR IS REQUIRED TO OBTAIN ALL APPLICABLE PERMITS.
2. STATIONING IS ALONG NEW ROADWAY CENTERLINES (SEE PLANS). FIELD DISTANCES MAY VARY
3. ALL WATER LINES SHALL BE TESTED AT A PRESSURE OF 200 PSI, FOR NOT LESS THEN TWO HOURS AFTER ALL ENTRAPPED AIR HAS BEEN REMOVED. TESTING MAY BE BY VISUAL INSPECTION OF UNCOVERED JOINTS AT THE END OF THE TEST PERIOD, OR BY LEAKAGE TEST. IN EACH METHOD OF TEST THE OBSERVANCE OF DEFECTS SHALL BE IN ACCORDANCE WITH AWWA SPECIFICATIONS C-605 FOR INSTALLATION OF PVC PIPE. THE CONTRACTOR SHALL FURNISH ALL EQUIPMENT FOR THE TESTS. TESTS SHALL BE MADE IN THE PRESENCE OF A REPRESENTATIVE OF THE OWNER OF THE SYSTEM.
4. ALL WATER MAINS SHALL BE INSTALLED, FLUSHED AND DISINFECTED IN ACCORDANCE WITH ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY BULLETIN NO. 8 "DISINFECTION OF WATER SYSTEM" AND INFORMATION MEMO 24 (REV. JULY 1, 1983, OR AWWA C-651-92).
5. WHEN ENGINEERING SERVICES ARE REQUIRED, A 48 HOUR (2 WORKING DAYS) NOTICE SHALL BE GIVEN TO THE ENGINEER
6. CONTRACTOR SHALL COMPLY WITH ALL APPLICABLE OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA) REGULATIONS
7. ALL WATER SERVICES SHALL BE FIELD LOCATED AND INSTALLED PRIOR TO DACK FILLING WATER LINE.
8. THE PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY SHALL BE NOTIFIED AT LEAST 48 HOURS PRIOR TO CONSTRUCTION (TEL: (520) 740-3340)
9. EXISTING UTILITIES ARE SHOWN AT APPROXIMATE LOCATIONS. CONTACT APPROPRIATE AGENCIES FOR VERIFICATION OF UTILITY LOCATIONS.
9. ALL CONSTRUCTION SHALL CONFORM TO THESE PLANS AND ADEQ ENGINEERING BULLETIN #10.
10. ALL WATER LINE TRENCH CROSSINGS ON VALENCIA ROAD AND MOUNTAIN EAGLE DRIVE SHALL BE PATCHED ACCORDING TO PC/COT STD. DTL. 216 (TYPE 2 PATCH).
11. A WATER MAIN SHALL NOT BE PLACED:
    A. WITHIN 6' HORIZONTAL DISTANCE, AND NOT LESS THEN 2' VERTICAL DISTANCE, ABOVE THE TOP OF A SEWER MAIN UNLESS EXTRA PROTECTION IS PROVIDED. EXTRA PROTECTION SHALL CONSIST OF CONSTRUCTING THE SEWER MAIN WITH MECHANICAL JOINT DUCTILE IRON PIPE OR WITH SLIP JOINT DUCTILE IRON PIPE IF JOINT RESTRAINT IS PROVIDED. ALTERNATE EXTRA PROTECTION SHALL CONSIST OF ENCASING BOTH THE WATER AND SEWER MAINS IN AT LEAST 6" OF CONCRETE FOR AT LEAST 10' BEYOND THE AREA COVERED BY THIS SUBPARAGRAPH
    B. WITHIN 2' HORIZONTALLY AND 2' BELOW THE SEWER MAIN
12. THIS WATER SYSTEM IS DESIGNED TO ACCOMMODATE 1000 G.P.M. FIRE FLOW.
13. BASIS OF BEARING FOR THIS SUBDIVISION IS THE SOUTH LINE OF THE SOUTHWEST 1/4 OF SECTION 8, T-15-S, R-12-E, G&SRM, PIMA COUNTY, ARIZONA AND THE CENTERLINE OF VALENCIA ROAD AS SHOWN ON BOOK 8, PAGE 88 OF ROAD MAPS ON RECORD IN PIMA COUNTY RECORDER'S OFFICE, SAID BEARING BEING N 89°50'30" E
14. BASIS OF ELEVATION FOR THIS SUBDIVISION IS PIMA COUNTY D.O.T. BENCHMARK # MP0152 BEING 2" BRASS CAP AT THE NORTHEAST CORNER OF SECTION 17, T-15-S, R-12-E, G&SRM, PIMA COUNTY, ARIZONA, SAID POINT HAVING AN ELEVATION OF 2469.32, NAVD 88.
15. ALL SEWER LINES ARE 8" PVC UNLESS OTHERWISE NOTED.
16. ALL IRRIGATION METERS TO INCLUDE APPROVED BACKFLOW PREVENTORS (BY OTHERS).
17. WATER MAINS SHALL NOT BE INSTALLED WITHIN 5 FEET HORIZONTAL DISTANCE OF PARALLEL ELECTRIC CABLES OR CONDUITS. THE MINIMUM VERTICAL SEPARATION BETWEEN ELECTRIC CABLES OR CONDUITS AND THE WATER MAIN, AT ANY LOCATION, SHALL BE 12 INCHES. WATER SERVICES AND FIRE HYDRANTS SHALL NOT BE INSTALLED AT THE SAME PROPERTY CORNERS AS ELECTRICAL PEDESTALS OR TRANSFORMERS AND SHALL BE SEPARATED BY A MINIMUM HORIZONTAL DISTANCE OF 10 FEET.





LOCATION MAP

SECTION 8, T-15-S, R-12-E
G&SRM, PIMA COUNTY, ARIZONA
SCALE: 3" = 1 MILE

1"=200'

LEGEND

- PROJECT BOUNDARY
- EXISTING RIGHT OF WAY
- SECTION LINE
- RIGHT OF WAY CENTERLINE
- EASEMENT LINE
- FOUND SURVEY MONUMENT (AS NOTED)
- SURVEY MONUMENT TO BE SET
- FOUND IRON PIN AS NOTED
- PPUE - PEDESTRIAN & PUBLIC UTILITY EASEMENT
- 1' NO VEHICLE ACCESS EASEMENT
- SECTION OR DETAIL
- SHEET NUMBER
- NEW PAVEMENT
- EXISTING PAVEMENT
- NEW 3/4" WATER SERVICE
- NEW 1" SPLIT WATER SERVICE
- NEW FIRE HYDRANT
- EXIST. FIRE HYDRANT
- NEW WATERLINE, VALVE & REDUCER
- NEW DRAIN VALVE ASSEMBLY (W-400)
- NEW MODIFIED DRAIN VALVE ASSEMBLY (SEE DETAIL 6 SHEET 2)
- EXISTING WATER MAIN & VALVE
- NEW SEWER LINE & MANHOLE
- EXIST. SEWER LINE & MANHOLE
- EXIST. OVERHEAD ELECTRIC
- EXIST. WATER LINE
- NEW 1" AIR RELEASE VALVE (ARV) (W-330)
- PHASE LINE
- PAVEMENT PATCH

RECEIVED
JUL 29 2005
DEPARTMENT OF ENVIRONMENTAL QUALITY

SHEET INDEX

SHEET 1 ..... COVER SHEET
SHEET 2 ..... DETAILS
SHEET 3 ..... PHASING PLAN
SHEET 4-15 .... PLAN SHEETS, (PHASE II-IV)

OWNER
FIDELITY NATIONAL TITLE AGENCY, INC.
TRUST NUMBER: 60,146
7750 E. BROADWAY BLVD., STE. 8222
TUCSON, AZ 85710
PHONE: (520) 290-2970

DEVELOPER
SONORAN RANCH ESTATES II, L.L.C.
8444 N. ORACLE ROAD, STE. 150
TUCSON, ARIZONA 85704
PHONE: (520) 877-8444
ATTN: KEVIN W. TOMKIEL

1-800-782-5348

3	6/19/06	REVISE PER REVIEW COMMENTS		
2	11/13/06	CHANGE WATER SERVICE TO 1"		

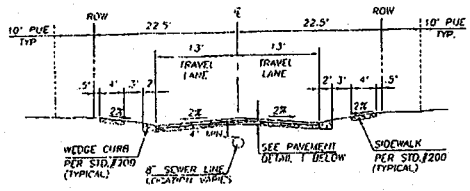
Castro Engineering corp
consulting engineers and surveyors
3569 WEST TWA ROAD SUITE 200
TUCSON, ARIZONA 85741
(520)293-2550 (520)293-2116 (fax)

P1204-086
Co9-04-03
JULY 2005

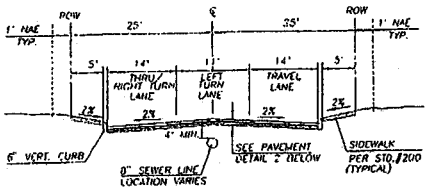
WATER PLANS
SONORAN RANCH ESTATES II
PHASE IV
LOTS 1 THRU 672, COMMON AREA "A" (BUFFERYARD) AND "B" (DRAINAGE/RECREATION AREA)

1 of 15

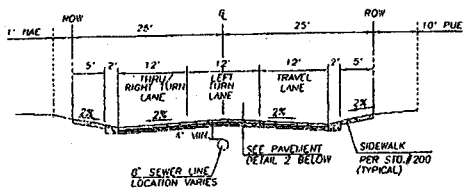
DRWN. BY CJB 09/04
DSGN. BY 09/04
SCALE: 1" = 100'



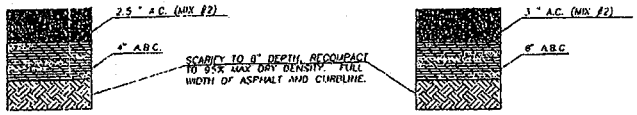
45' RIGHT-OF-WAY CROSS SECTION (PUBLIC) NTS (A)



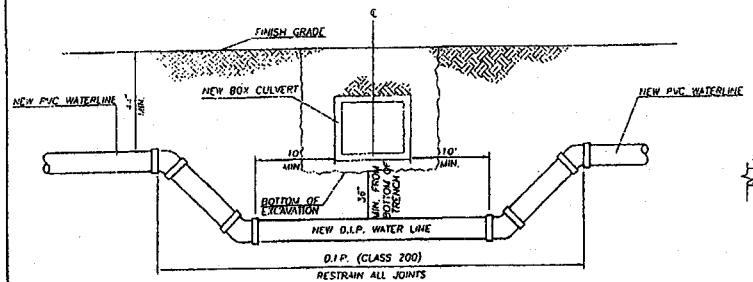
50' RIGHT-OF-WAY CROSS SECTION (PUBLIC) NTS (B)
BULLFINCH DRIVE SUBDIVISION ENTRANCE



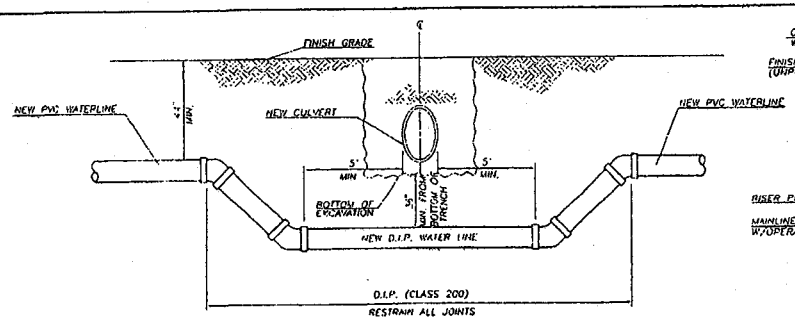
50' RIGHT-OF-WAY CROSS SECTION (PUBLIC) NTS (B1)
REED BUNTING SUBDIVISION ENTRANCE



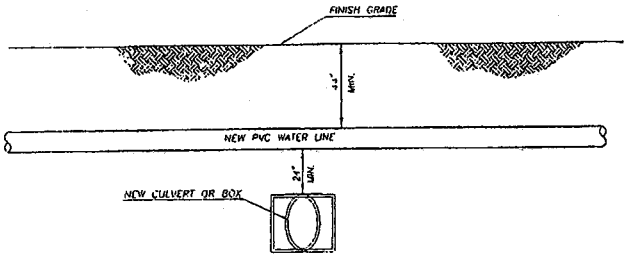
PAVEMENT SECTION 1 PAVEMENT SECTION 2 NTS
PAVEMENT DETAIL
SIPECTS



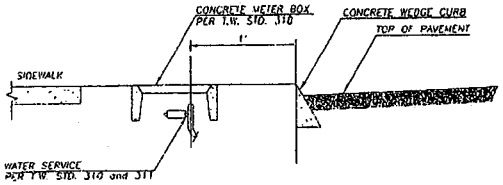
CROSSING DETAIL



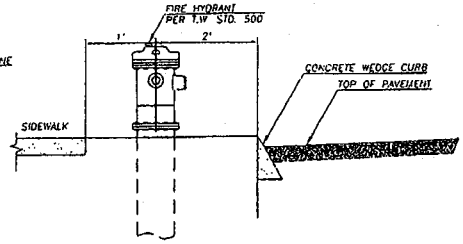
(C) CROSSING DETAIL NTS



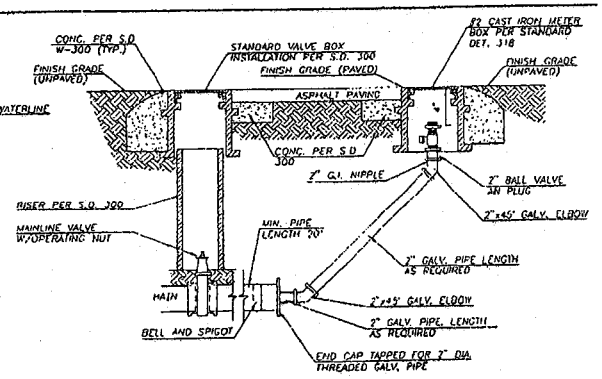
(D) CROSSING DETAIL NTS



(E) WATER SERVICE CONNECTION DETAIL NTS
FOR HORIZONTAL LOCATION ONLY
REFER TO TUCSON WATER STANDARDS
FOR ALL OTHER DETAILS

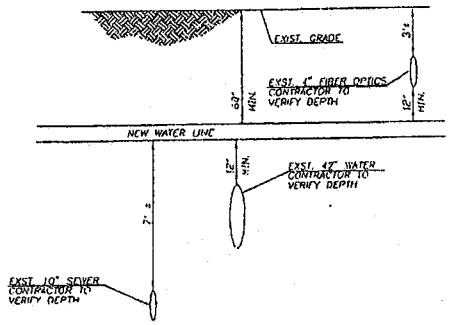


(F) FIRE HYDRANT DETAIL NTS
FOR HORIZONTAL LOCATION ONLY



NOTE: VALVE JOINTS AND END CAP SHALL BE MECHANICALLY RESTRAINED IN ACCORDANCE WITH STANDARD SPECIFICATION 1406.
NO SERVICE TAPS WILL BE ALLOWED BETWEEN THE LINE VALVE AND THE BLOW OFF ASSEMBLY.

(G) MODIFIED DRAIN VALVE ASSEMBLY IN UNPAVED/PAVED AREAS NTS



(H) CROSSING DETAIL
EXISTING UTILITIES N.T.S.

1-800-782-5348

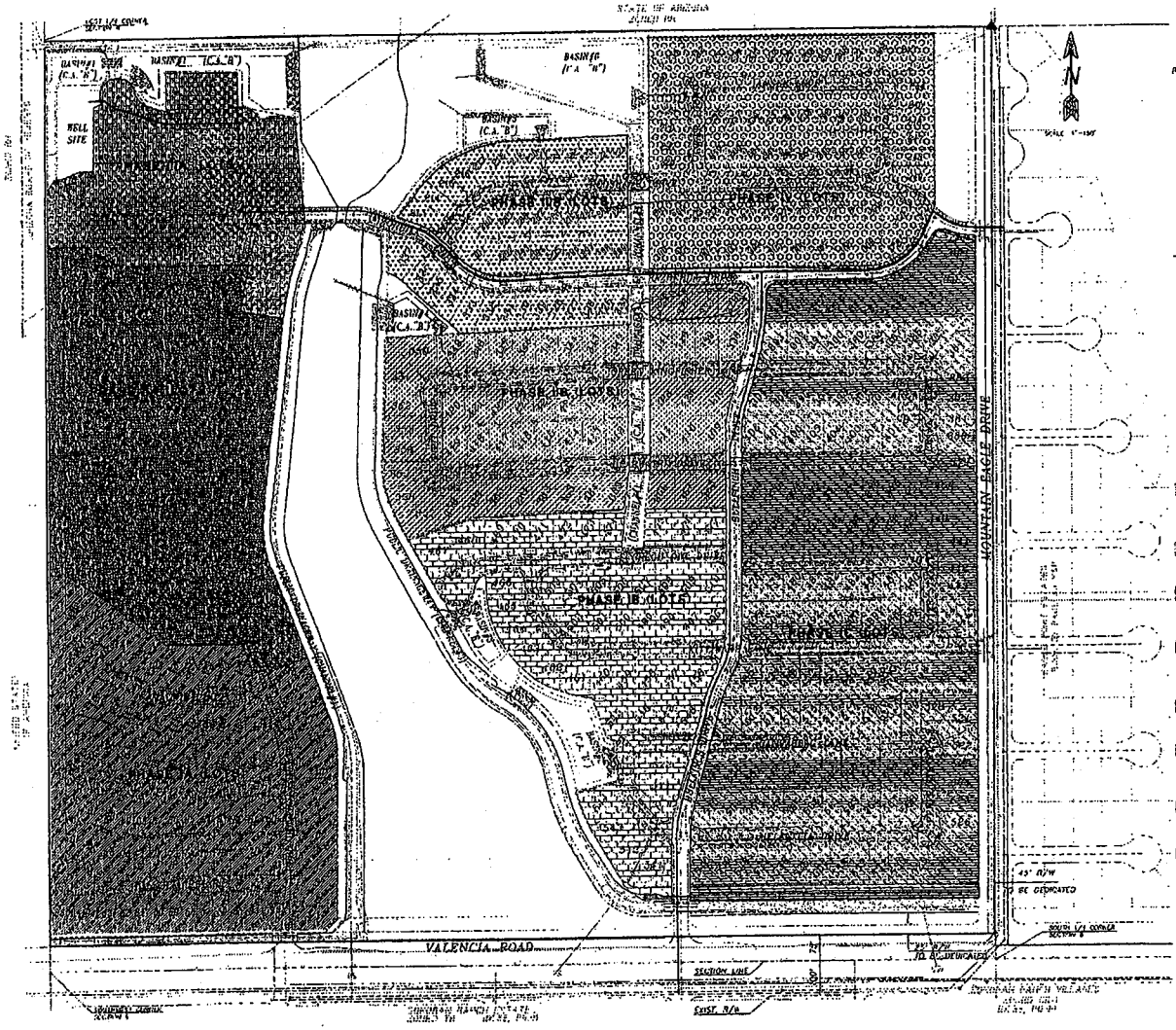
Castro Engineering corp
consulting engineers and surveyors
3688 WEST INA ROAD SUITE 200
TUCSON, ARIZONA 85741
(520)293-3550 (520)293-2113 (fax)

P1204-086
Co9-04-03
JULY 2004

WATER PLANS
FOR
SONORAN RANCH ESTATES I
PHASE IA
LOTS 1 THRU 672, COMMON AREA 'A' (BUFFERYARD) AND 'B' (DRAINAGE/RECREATION AREA)

2 OF 15

DWN. BY CKD. 01/04 REV. SCALE: NTS
DATE OF ISSUE 01/04



LEGEND

DEVELOPABLE PARCEL

PHASE I (UTILITIES)

12" PVC FROM FIRST OVA AT NEW BUSTING DRIVE AND RANCH COURT, WEST ALONG RANCH COURT TO NEW WELL SITE. NEWLY IMPROVED WELL AND STORAGE SITE TO BE DONE AS PART OF PHASE I WORK.

PHASE II (UTILITIES)

WATER FROM THE EAST BLOCK OUT AT NEW MOUNTAIN SAGE DRIVE AND RAZORBILL DRIVE EAST ALONG MOUNTAIN SAGE DRIVE TO ITS INTERSECTION WITH VERMILION COVE DRIVE, SOUTH ALONG VERMILION COVE DRIVE TO ITS CONNECTION WITH NEW 12" WATER MAIN INSTALLED INCLUDING BLOCKOUTS TO NEW 12" WATER MAIN INSTALLED AT INTERSECTIONS OF MOUNTAIN SAGE DRIVE TO ALL NORTHEAST AT VERMILION COVE DRIVE, AND TO NEW WELL SITE. 12" PVC EASTERN INTERSECTION ALONG RAZORBILL DRIVE AND MOUNTAIN SAGE DRIVE INCLUDING WATER SERVICES TO LOTS NOS. 221-237

PHASE I (UTILITIES) WATER MUST BE DONE PRIOR TO CONSTRUCTION

PHASE IA (LOTS)

PUBLIC STREET IMPROVEMENTS AND FINISHED LOTS FOR LOTS 1-16, 53-126 (INCLUDES ALL UTILITIES PHASE I (UTILITIES) WATER MUST BE DONE PRIOR TO CONSTRUCTION

PHASE IB (LOTS)

PUBLIC STREET IMPROVEMENTS AND FINISHED LOTS FOR LOTS 626-675, 148-196, 361-368, & 331-397 (INCLUDES ALL UTILITIES PHASE II (UTILITIES) WATER MUST BE DONE PRIOR TO CONSTRUCTION)

PHASE IC (LOTS)

PUBLIC STREET IMPROVEMENTS AND FINISHED LOTS FOR LOTS 398-416, 198 TO 221-195, 198-405, 514-548, & 549-576 (REFER FROM AREAS (C.A. "B")) (INCLUDES ALL UTILITIES PHASE II (UTILITIES) MUST BE DONE PRIOR TO CONSTRUCTION)

PHASE IIA (LOTS)

PUBLIC STREET IMPROVEMENTS AND FINISHED LOTS FOR LOTS 17-38, 179-187 (INCLUDES ALL UTILITIES PHASE I (UTILITIES) MUST BE DONE PRIOR TO CONSTRUCTION)

PHASE IIB (LOTS)

PUBLIC STREET IMPROVEMENTS AND FINISHED LOTS FOR LOTS 370-373, 366-369 & 401-125 (INCLUDES ALL UTILITIES PHASE II (UTILITIES) MUST BE DONE PRIOR TO CONSTRUCTION)

PHASE IIIA (LOTS)

PUBLIC STREET IMPROVEMENTS AND FINISHED LOTS FOR LOTS 39-52, 196-212 (INCLUDES ALL UTILITIES) PHASE I (UTILITIES) MUST BE DONE PRIOR TO CONSTRUCTION.

PHASE IIIB (LOTS)

PUBLIC STREET IMPROVEMENTS AND FINISHED LOTS FOR LOTS 213-273, & 299-399 (INCLUDES ALL UTILITIES PHASE II (UTILITIES) MUST BE DONE PRIOR TO CONSTRUCTION)

PHASE IV (LOTS)

PUBLIC STREET IMPROVEMENTS AND FINISHED LOTS FOR LOTS 374-398, & 400-499 (INCLUDES ALL UTILITIES PHASE II (UTILITIES) MUST BE DONE PRIOR TO CONSTRUCTION)

* DUCK BRANCH CONCEPT IS DEPENDENT WILL REQUIRE MODIFICATIONS TO THE CONSTRUCTION OF WELL STORAGE

Castro Engineering
consulting engineers and surveyors
3580 WEST INA ROAD SUITE 200
TUCSON, ARIZONA 85741
(520)293-2560 (520)293-2116 (fax)

SHEAN M. WEST
31974
ARIZONA

WATER PLANS
FOR
SONORAN RANCH ESTATES II
PHASING PLAN
LOTS 1-572, COMMON AREA "A" & "B"

3 of 15

DRWN. BY MTC | DATE | REV. | SCALE: 1"=100'

NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PVC PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE SPANDREL RADIUS IS 25'

SCALE: 1" = 40'
CONTOUR INTERVAL = 1'

FOR CONTINUATION SEE SHEET 5

STA.6+57.11, 10'LT.
PELICAN PLACE
1-6"x6" TEE
1-6" VALVE B&C
12.8 L.F.± OF 6" PVC
1-6"x4" REDUCER
1 FIRE HYDRANT
PER TW STD.#500

STA.23+83.04, 10.00'RT.
REED BUNTING DRIVE
EXIST. 12"x6" TEE & VALVES
PHASE IA
REMOVE BLIND FLANGE
CONNECT TO EXIST.

STA.23+21.55, 10'RT.
REED BUNTING DRIVE
7 L.F.± OF 6" PVC
1 FIRE HYDRANT
PER TW STD.#500
REMOVE BLIND FLANGE
CONNECT TO EXIST.

STA.5+00.00, 10.00'LT.
PELICAN PLACE
1-2" DVA PER TW SD400

STA.5+00 TO 6+57.11
AMAZILIA PLACE
PHASE IA
NEW 4" WATER LINE
±111 L.F.

STA.5+00 TO 11+13.
PELICAN PLACE
PHASE IA
NEW 6" WATER LINE
±444 L.F.

STA.7+18.04, 10'LT.
AMAZILIA PLACE
1-6"x6" TEE
1-6" VALVE B&C
12.5 L.F.± OF 6" PVC
1-6"x4" REDUCER
1 FIRE HYDRANT
PER TW STD.#500

STA.5+00.00, 10.00'LT.
AMAZILIA PLACE
1-2" DVA PER TW SD400

STA.26+50.71, 10'RT.
REED BUNTING DRIVE
EXIST. 12"x6" TEE & VALVES
PHASE IA
REMOVE BLIND FLANGE
CONNECT TO EXIST.

STA.27+23, 10'RT.
REED BUNTING DRIVE
PHASE IA
15 L.F.± OF 6" PVC
1 FIRE HYDRANT
PER TW STD.#500
REMOVE BLIND FLANGE
CONNECT TO EXIST.

STA.5+00 TO 7+15
AMAZILIA PLACE
PHASE IA
NEW 4" WATER LINE
±215 L.F.

STA.7+15 TO 10+93
AMAZILIA PLACE
PHASE IA
NEW 6" WATER LINE
±380 L.F.

STA.27+30, 10'RT.
REED BUNTING DRIVE
PHASE IA
1-1" ARV
PER STD. W-130
CONNECT TO EXIST.

STA.27+97, 10'RT.
REED BUNTING DRIVE
1-3/4" IRRIGATION METER
1-BACKFLOW PREVENTER
PER TUCSON WATER SD-1802

STA.27+80, 10'RT.
REED BUNTING DRIVE
1-NEW WATERLINE TEST
STATION, SEE DTL.G/2

PELICAN PLACE (PUBLIC)
AMAZILIA PLACE (PUBLIC)
REED BUNTING DRIVE (PUBLIC)
PUBLIC DRAINAGE CHANNEL
PUBLIC OPEN SPACE
UNITED STATES OF AMERICA ZONED RH
4' BUFFERYARD 'C'
NATURAL BUFFERYARD "D"
200' SCENIC CORRIDOR ZONE
FOR CONTINUATION SEE SHEET 6
EXIST. 12" WATER MAIN
STA.23+95.21, ℄ REED BUNTING DR. = STA.11+13.17, ℄ PELICAN PL.
STA.26+80.26, ℄ REED BUNTING DR. = STA.11+04.70, ℄ ROAD AMAZILIA PL.
S 89°50'30" W 2652.14'
(BASIS OF BEARING) S89°50'30"W 2652.14'
VALENCIA ROAD (PUBLIC)
(BOOK 8, PAGE 68 OF ROAD MAPS)
FND SURVEY MON. 1/2" REBAR BRASS TAGGED RLS 29881
SW COR. SEC. 8 FND SURVEY MONUMENT 2" DIAM. BRASS DISK MKD. P.C.H.D.
SONORAN RANCH ESTATES (BK.57, PG. 91)

C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C16	10°21'07"	43.48	480.00	86.73
C17	03°33'30"	15.01	483.17	30.01
C18	06°43'28"	20.39	483.17	56.71
C19	04°05'27"	17.57	490.63	35.03
C20	04°05'27"	17.52	490.63	35.03
C21	20°46'19"	91.64	500.00	181.27
C34	12°44'15"	20.20	1111.00	40.24

NUMBER	BEARING	DISTANCE
L3	S12°34'45"W	27.50'
L11	S00°03'38"E	47.58'
L12	S00°03'38"E	41.62'
L14	N00°03'38"W	27.50'

NOTE: SEE SHEET 3 OF 15 FOR PHASING NOTES

KEY NOTES:

1. 30' MAJOR STREETS & ROUTES SETBACK (MS&R)
3. 10' PUBLIC UTILITY EASEMENT (PUE)
7. 10' BUFFERYARD "D" (COMMON AREA "A")
8. NO ACCESS EASEMENT (NAE)

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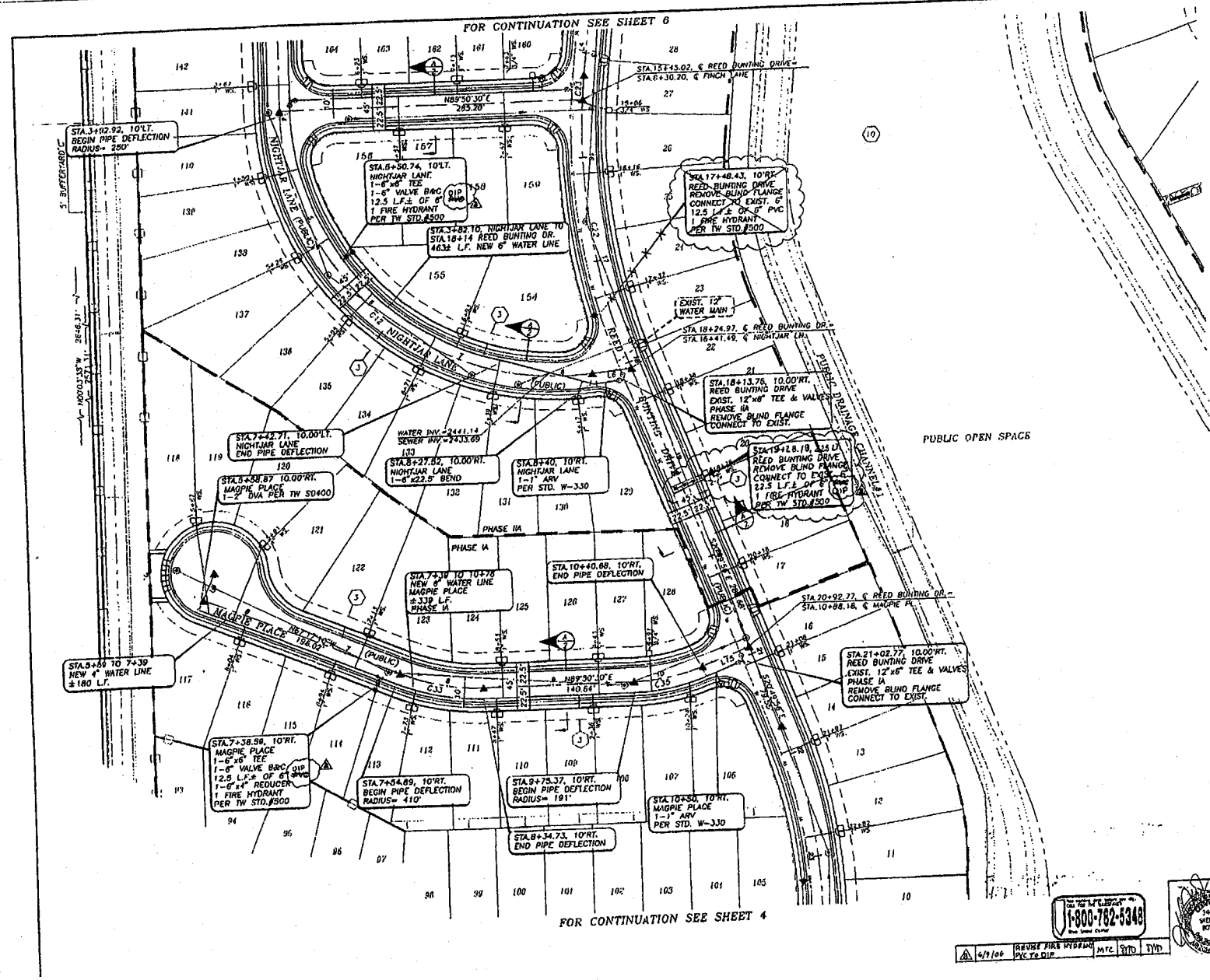
4	9/11/06	[illegible]		
3	10/23/06	ADD SHEETS		

24924 SHELDON BONER ARIZONA U.S.A.

WATER PLANS FOR SONORAN RANCH ESTATES II
PHASE II-IV
LOTS 1-572, COMMON AREA "A" & "B"

4 of 15

DWN. BY VTC 5/96 REV. SCALE 1"=40'
DSGN. BY SKB 5/96



C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C16	10°21'07"	43.48	480.00	86.73
C17	03°33'30"	15.01	483.17	30.01
C18	06°43'28"	28.39	483.17	56.71
C19	04°05'27"	17.52	490.63	35.03
C20	04°05'27"	17.52	490.63	35.03
C21	20°46'19"	91.64	500.00	181.27
C34	12°44'15"	20.20	181.00	40.24
NUMBER	BEARING	DISTANCE		
L3	S12°34'45"W	27.50'		
L11	S00°03'38"E	47.58'		
L12	S00°03'38"E	41.62'		
L14	N00°03'38"W	27.50'		

NOTE: SEE SHEET 3 OF 15 FOR PHASING NOTES

KEY NOTES:

(3) 10' PUBLIC UTILITY EASEMENT (PUE)

(8) 1' NO ACCESS EASEMENT (NAE)

NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PVC PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE SPANDREL RADIUS IS 25'

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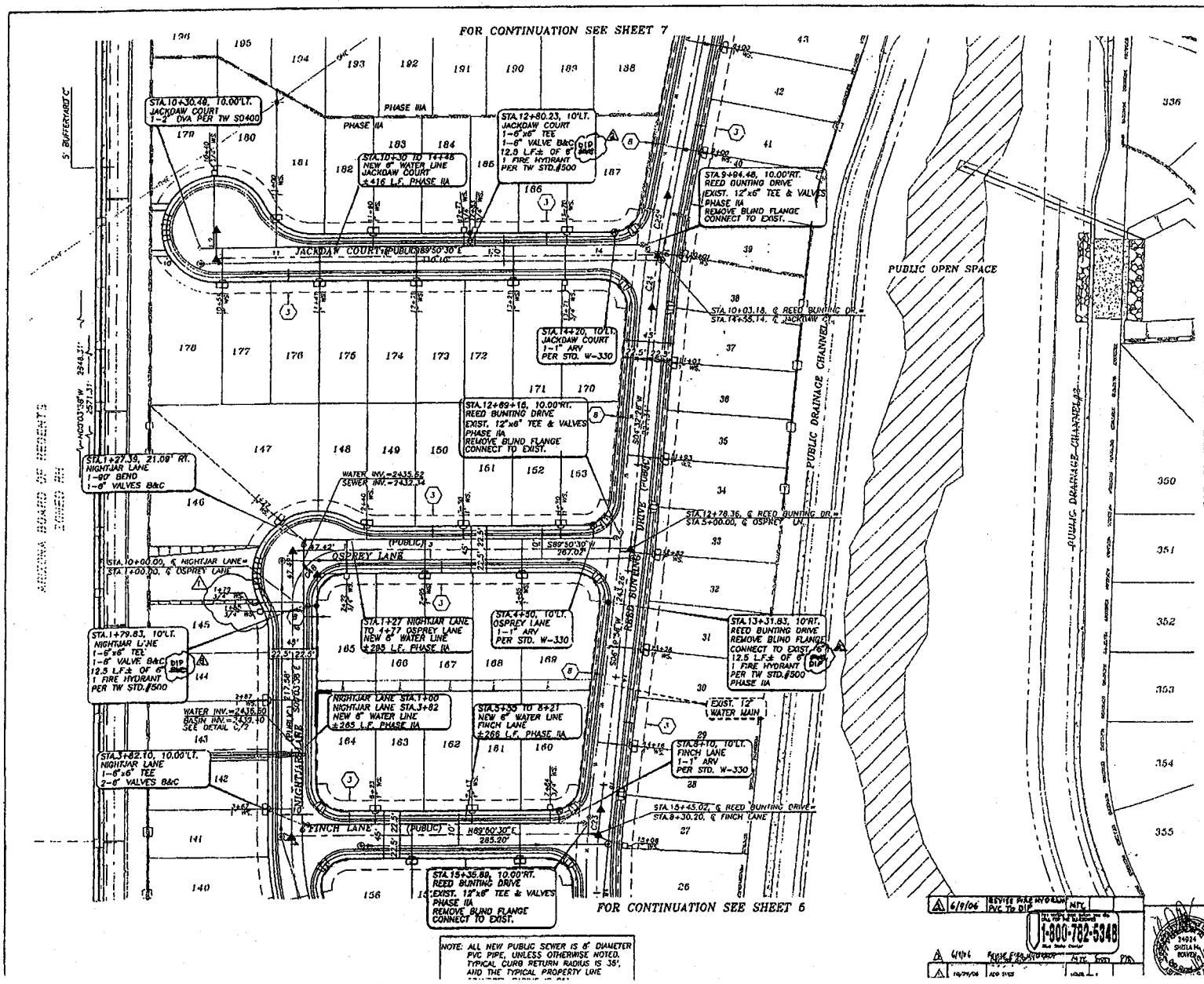
8	6/9/06	REVISE FIRE HYDRANT PVC TO DIP	MTC	STD	STD

WATER PLANS FOR SONORAN RANCH ESTATES II
PHASE II-IV
LOTS 1-572, COMMON AREA "A" & "B"

DRAWN BY MTC 1/05
DSGN BY SWD 1/05
REF. _____ SCALE 1"=40'



NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PVC PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE

C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C24	02°44'34"	23.94	1000.00	47.87
C25	03°17'55"	28.79	1000.00	57.57
C46	89°54'08"	47.42	47.50	74.53

NUMBER	DIRECTION	DISTANCE
L2	S00°09'30"E	27.50'

NOTE: SEE SHEET 3 OF 15 FOR PHASING NOTES

KEY NOTES:

(3) 10' PUBLIC UTILITY EASEMENT (PUE)

(8) NO ACCESS EASEMENT (NAE)

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6/9/06	REVISE FIRE HYDRANT PVC TO DIP	MTC
6/9/06	REVISE FIRE HYDRANT	MTC
10/29/06	ADD SIZES	

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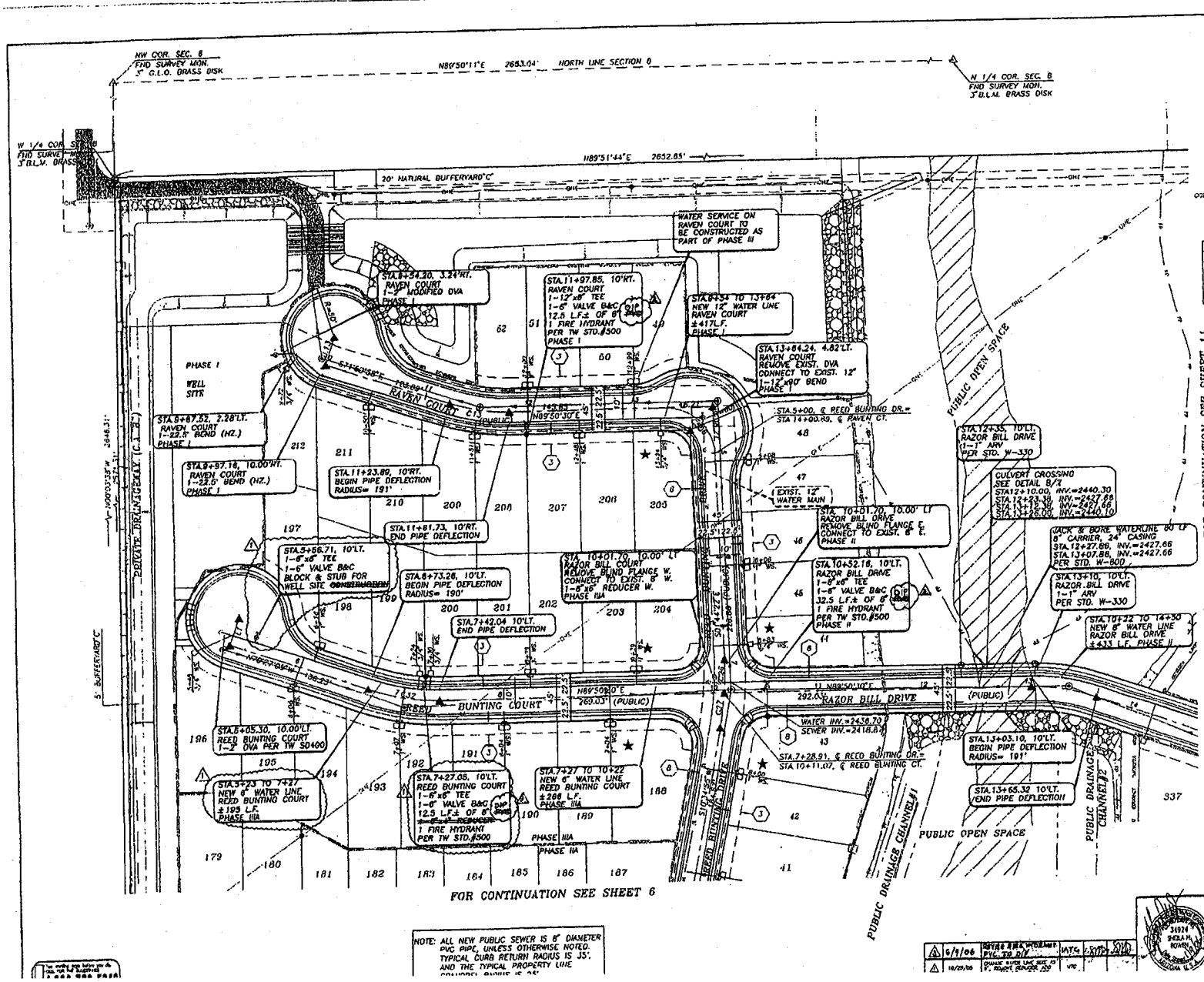
24924 SHEILA H. BOWEN

WATER PLANS FOR SONORAN RANCH ESTATES II
PHASE II-IV
LOTS 1-572, COMMON AREA "A" & "B"

6 OF 15

DRWN. BY MTC | 6/05 | REV. | SCALE 1"=40'



C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C13	18°18'32"	29.17	181.00	57.84
C26	06°11'15"	16.21	300.00	32.40
C27	06°08'03"	16.07	300.00	32.12
C32	19°47'22"	34.74	200.00	68.79
C556	85°25'08"	46.21	47.50	73.50

NUMBER	DIRECTION	DISTANCE
L1	S19°32'52"W	27.50'
L13	S18°09'02"W	27.50'

NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PVC PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE CORNER RADIUS IS 25'.

6/9/06	ADDED AREA, REDRAWN PVC TO DIP			
10/26/05	CHANGE SEWER LINE SIZE TO 8", REMOVE SEWER LINE ABOVE PLAN	VTG		

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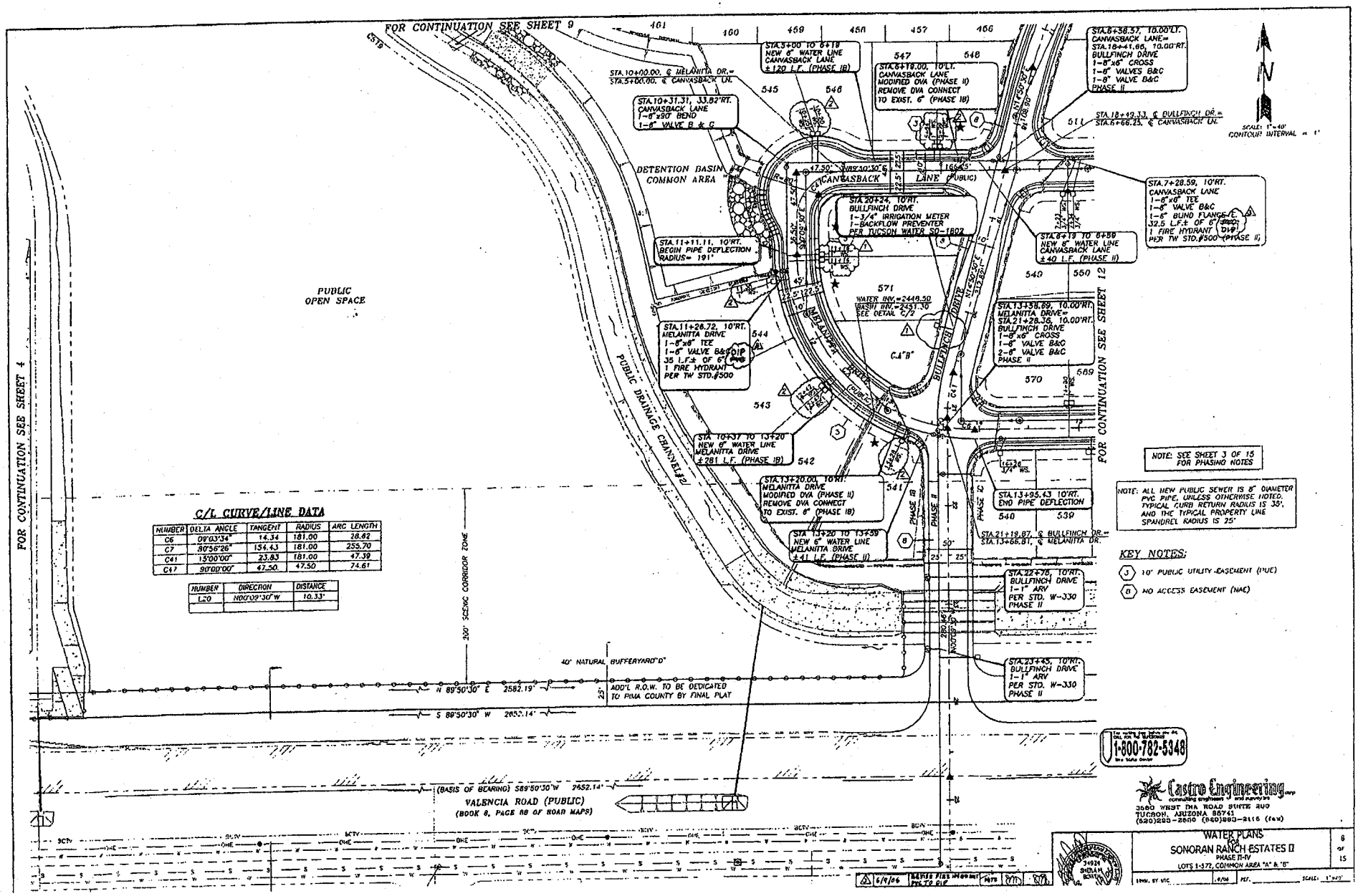
WATER PLANS FOR SONORAN RANCH ESTATES II

PHASE II-IV

LOTS 1-572, COMMON AREA "A" & "B"

DRAWN BY VTG 6/01 SCALE: 1"=40'

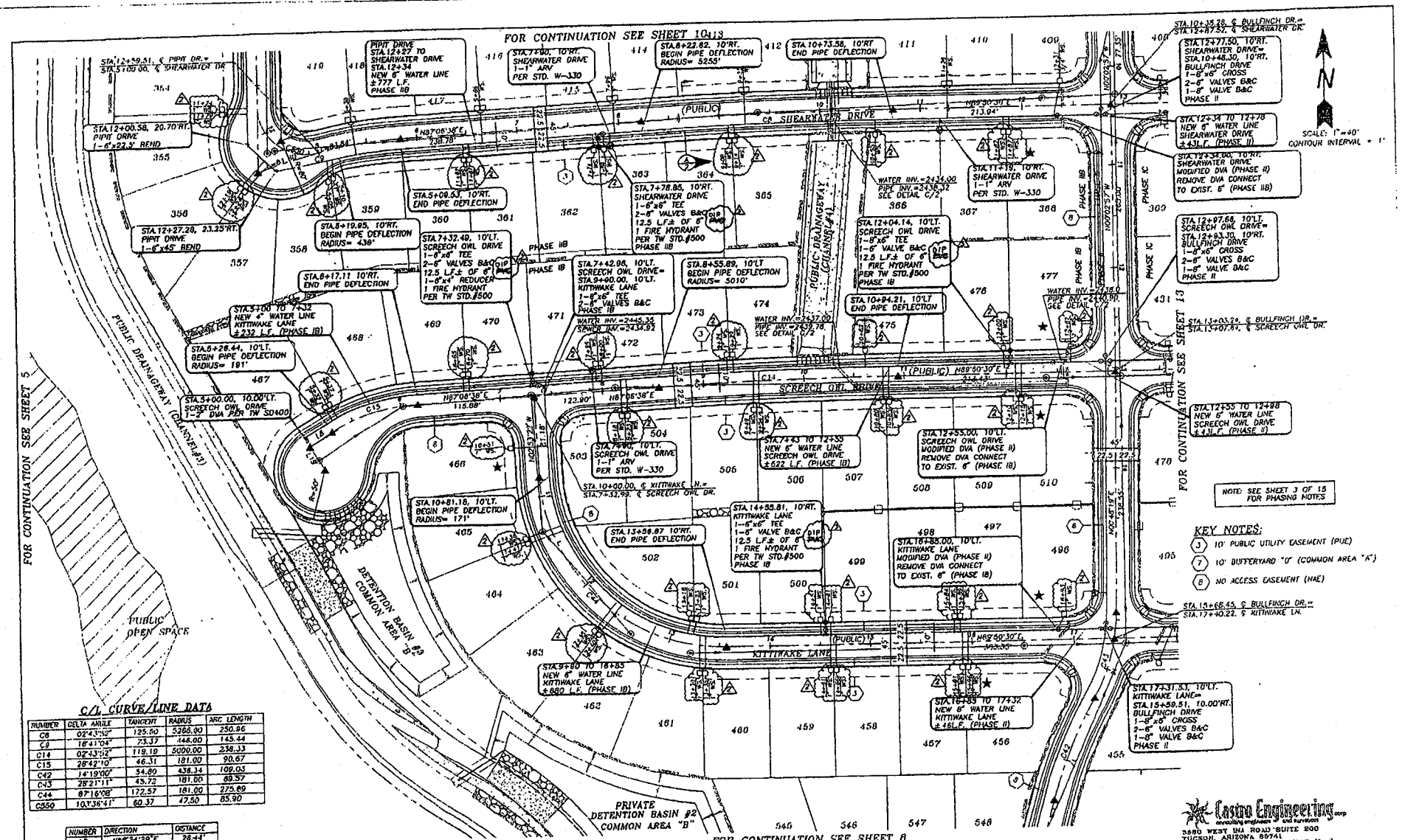
DESIGN BY DJB 6/01



C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C6	09°03'34"	14.34	181.00	28.62
C7	80°56'26"	154.43	181.00	255.70
C41	15°00'00"	23.83	181.00	47.39
C47	90°00'00"	47.50	47.50	74.61

NUMBER	DIRECTION	DISTANCE
L20	N00°09'30"W	10.33'



C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C6	02°43'12"	125.50	5265.00	250.96
C9	18°41'04"	73.37	446.00	145.44
C14	02°43'12"	119.19	5000.00	238.33
C15	28°42'10"	46.31	181.00	90.67
C42	14°19'00"	54.80	436.34	109.03
C43	28°21'11"	45.72	181.00	89.57
C44	87°16'08"	172.57	181.00	275.89
C550	103°38'41"	60.37	47.50	85.90

NUMBER	DIRECTION	DISTANCE
L8	N56°24'29"E	28.44'
L19	S31°49'31"E	27.50'

NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PVC PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE

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1	6/9/06	REVISE FIRE HYDRANTS PER TO WRA	MTC

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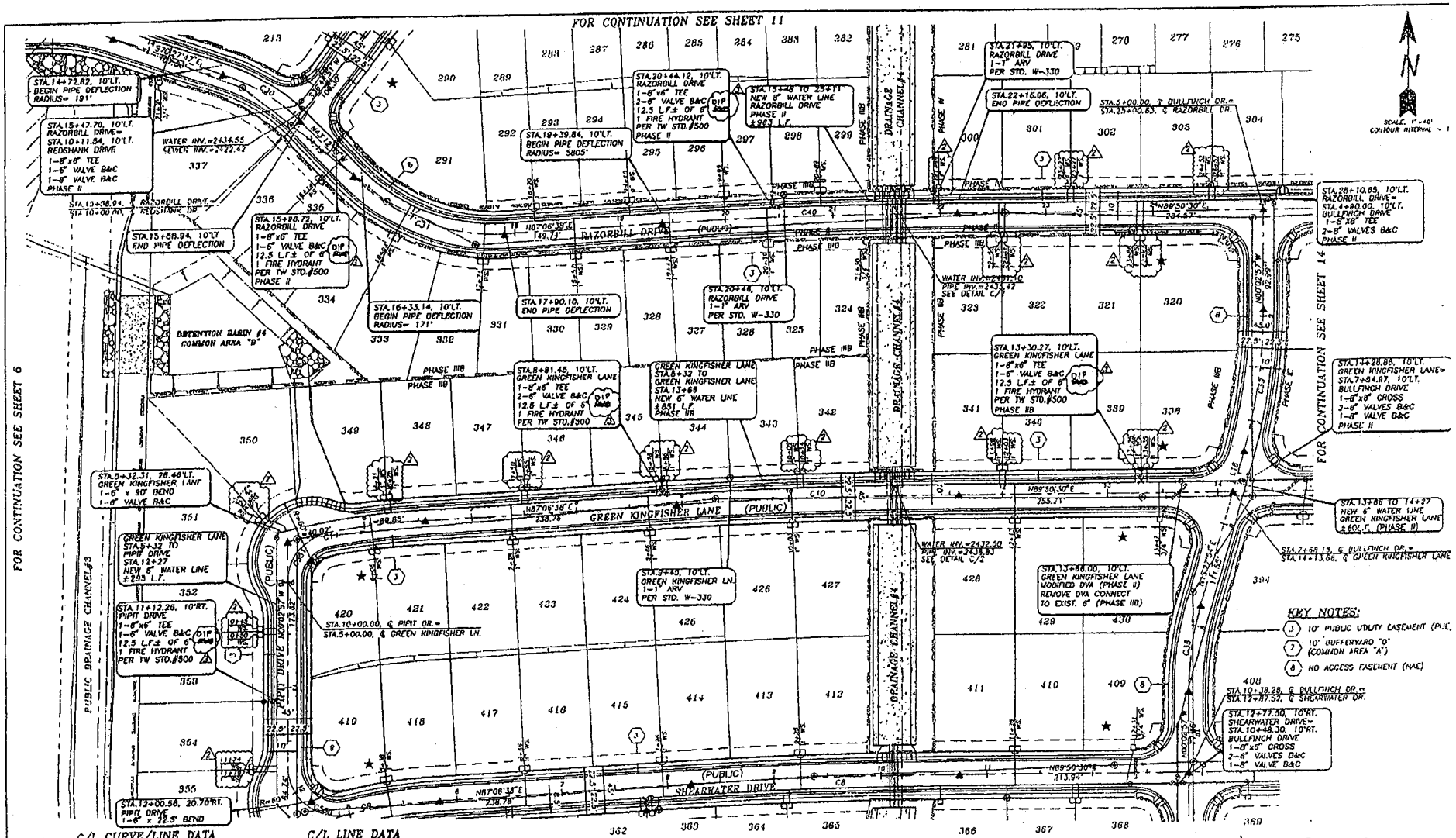
WATER PLANS FOR SONORAN RANCH ESTATES II
PHASE II-IV
LOTS 1-57, COMMON AREA "A" & "B"

DRW. BY MTC 5/06 REV. SCALE: 1"=40'
MGR. BY DB 5/06

9 of 15



C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C5	19°11'43"	31.42	181.00	62.22
C6	02°43'52"	125.50	5266.00	250.96
C8	16°41'04"	73.17	446.00	145.44
C10	02°43'52"	131.82	5530.00	263.58
C11	10°27'57"	65.12	711.00	129.87
C30	27°13'39"	43.89	181.00	86.12
C31	49°41'13"	53.80	181.00	156.96
C38	15°30'51"	40.87	300.00	81.23
C39	15°30'51"	68.11	500.00	135.39
C40	02°43'39"	138.14	5795.00	276.22
C550	10°16'41"	60.17	47.50	85.90

C/L LINE DATA

NUMBER	DIRECTION	DISTANCE
L18	N15°27'54"E	39.78'

NOTE: SEE SHEET 3 OF 13 FOR PHASING NOTES

NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PVC PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE SPANDREL RADIUS IS 25'

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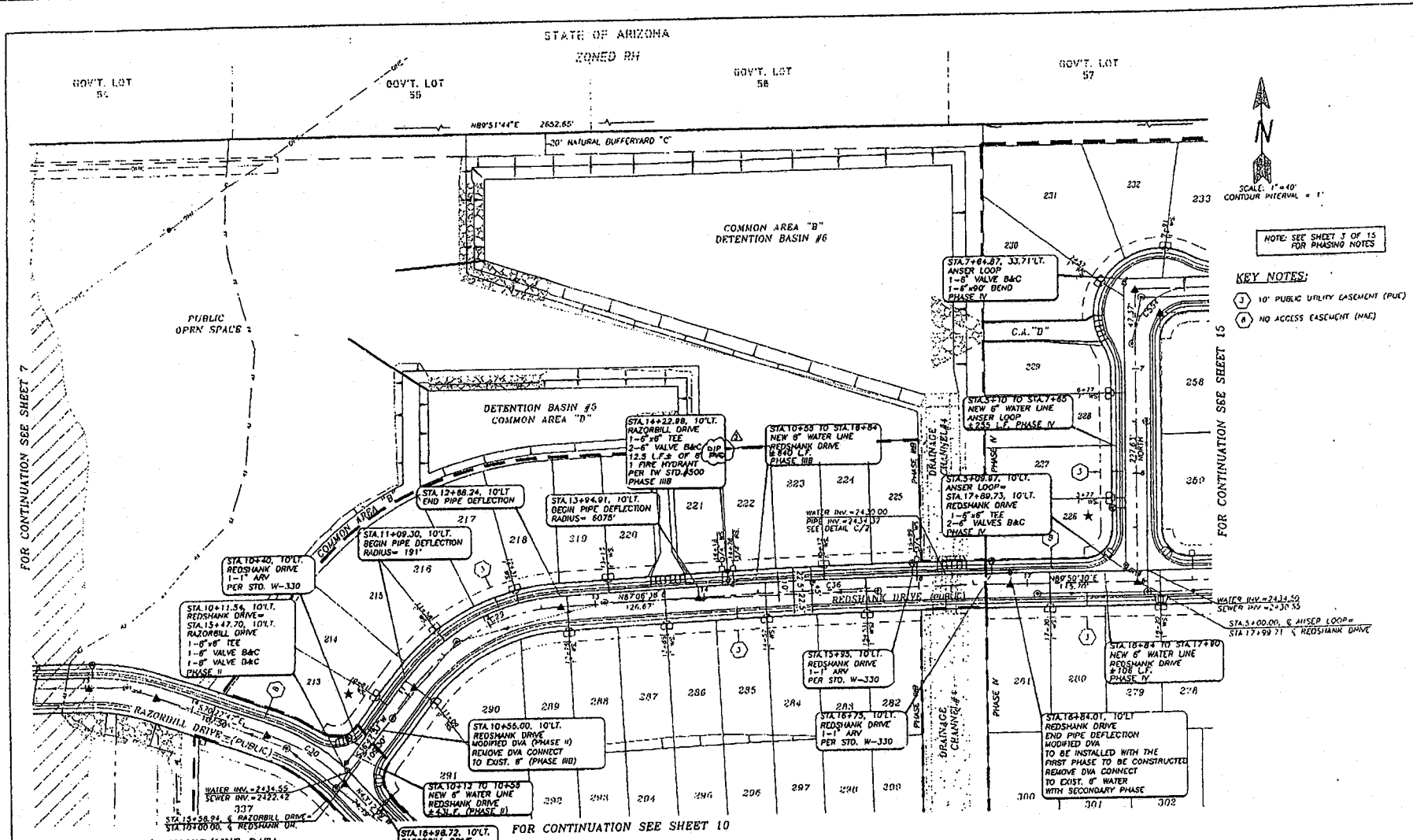
WATER PLANS FOR SONORAN RANCH ESTATES II
PHASE II-IV
LOTS 1-57, COMMON AREA "A" & "B"

4/9/06	REVISE FIRE HYDRANT PVC TO DIP	MTC	DMS



C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C29	30°18'47"	85.00	181.00	158.94
C30	27°15'39"	43.89	181.00	86.12
C36	02°43'52"	144.37	6065.00	289.09
C5S4	89°50'30"	47.37	47.50	74.48

NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PVC PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE CORNER RADIUS IS 35'.

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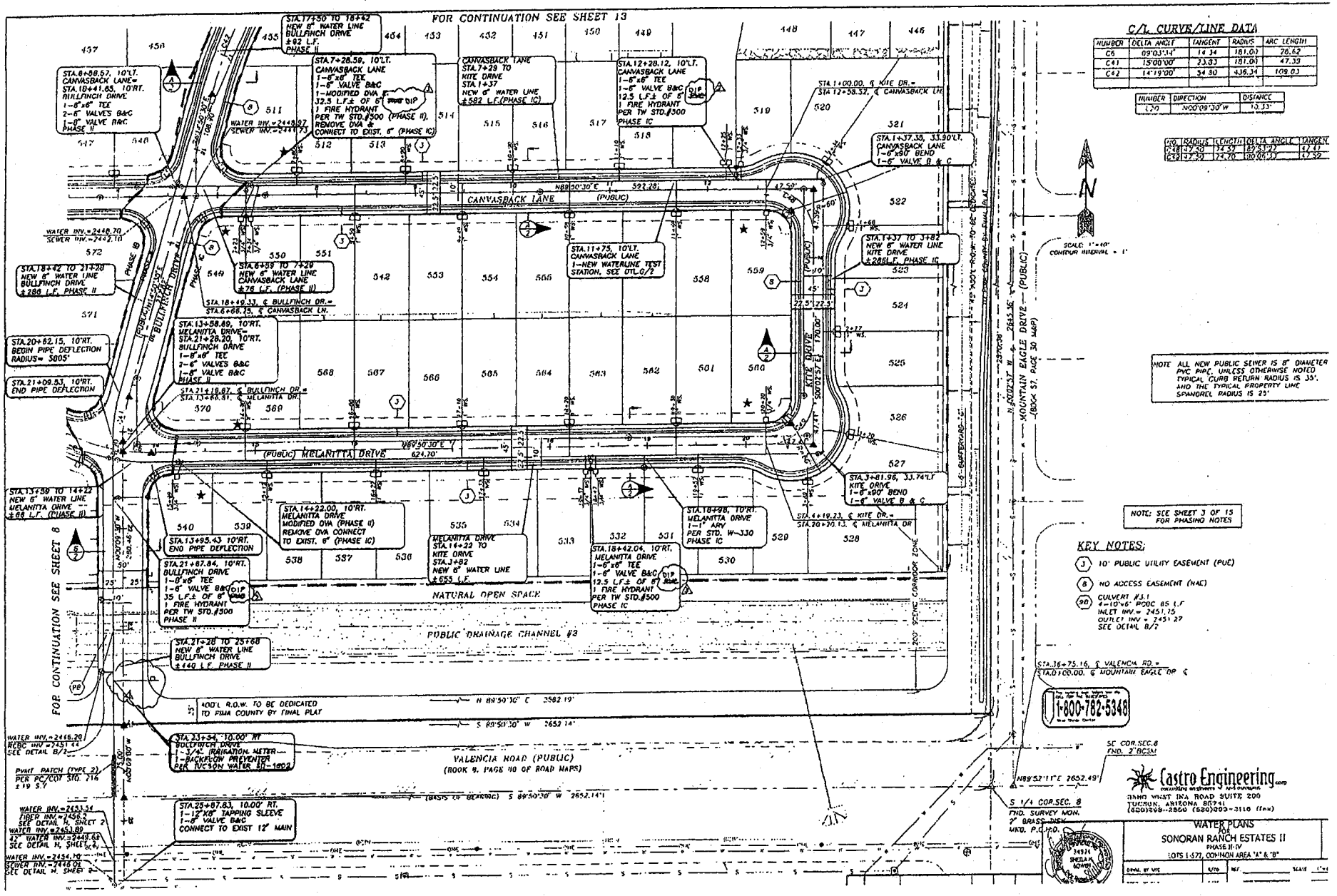
WATER PLANS
FOR
SONORAN RANCH ESTATES II
PHASE II-IV
LOTS 1-572, COMMON AREA "A" & "B"

DRWN. BY WPC 8/01 REV. SCALE 1"
DSGN. BY MJB 8/01

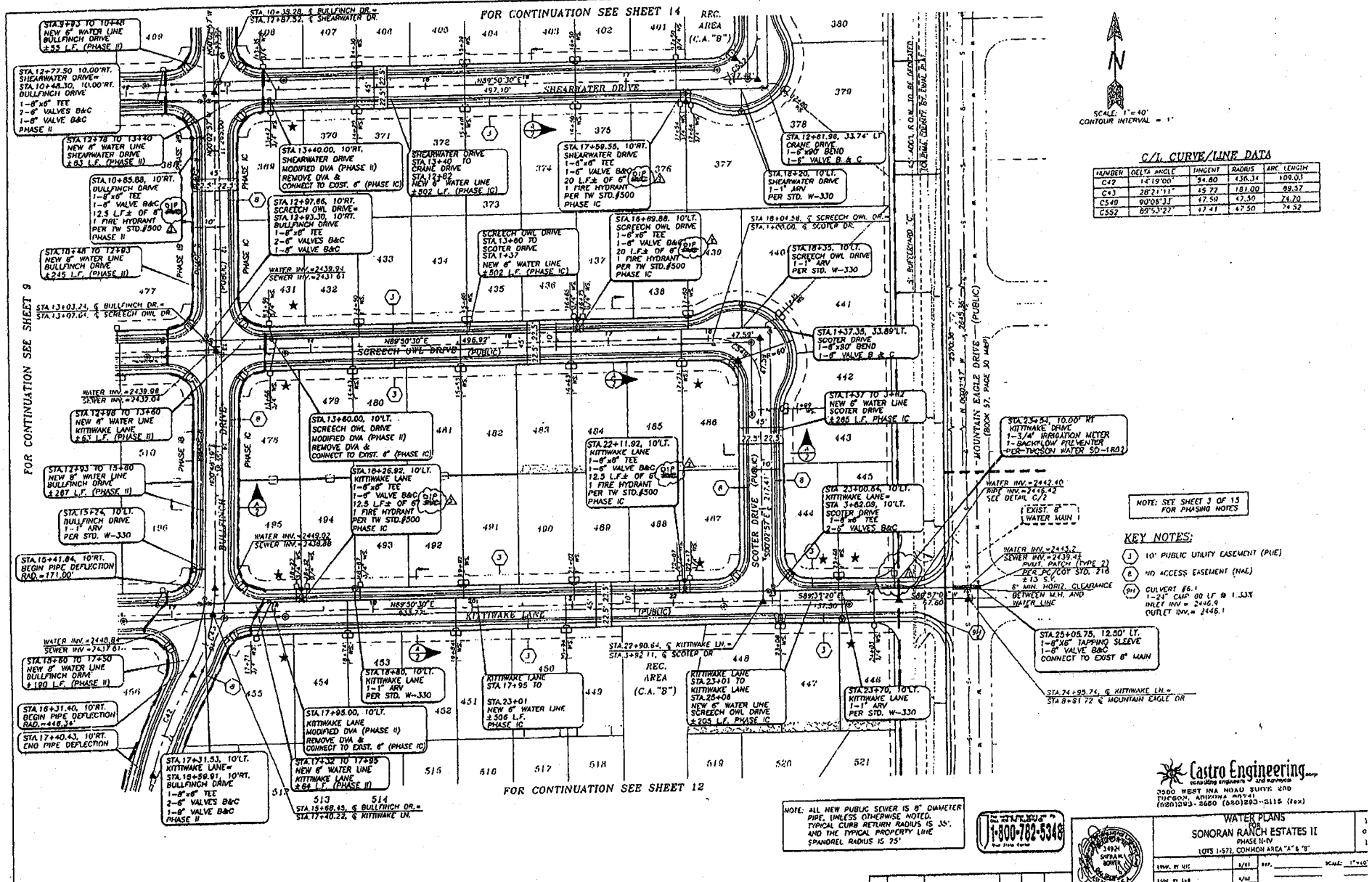


C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C6	09°03'14"	14.34	181.00	28.62
C41	15°00'00"	23.33	181.00	47.39
C42	14°19'00"	34.80	436.34	109.03

NUMBER	DIRECTION	DISTANCE
L70	N00°09'30"W	10.33'

NO.	RADIUS	LENGTH	DELTA ANGLE	TANGENT
C48	37.50	24.57	89°53'27"	12.71
C49	37.50	24.70	100°06'33"	17.32


FOR CONTINUATION SEE SHEET 14
FOR CONTINUATION SEE SHEET 9
FOR CONTINUATION SEE SHEET 12
SHEARWATER DRIVE
SCREECH OWL DRIVE (PUBLIC)
KITTIWAKE LANE (PUBLIC)
SCOOTER DRIVE (PUBLIC)
BULLFINCH DR. (PUBLIC)
MOUNTAIN EAGLE DRIVE (PUBLIC)
REC. AREA (C.A."B")
SCALE: 1"=40'
CONTOUR INTERVAL = 1'
STA.9+93 TO 10+48 NEW 6" WATER LINE BULLFINCH DRIVE ±53 L.F. (PHASE II)
STA.12+77.50 10.00'RT. SHEARWATER DRIVE= STA.10+48.30, 10.00'RT. BULLFINCH DRIVE 1-8"x6" TEE 2-6" VALVES B&C 1-8" VALVE B&C PHASE II
STA.12+78 TO 13+40 NEW 8" WATER LINE SHEARWATER DRIVE ±63 L.F. (PHASE II)
STA.10+85.88, 10'RT. BULLFINCH DRIVE 1-8"x6" TEE 1-6" VALVE B&C 12.5 L.F.± OF 6" 1 FIRE HYDRANT PER TW STD.#500 PHASE II
STA.10+48 TO 12+93 NEW 8" WATER LINE BULLFINCH DRIVE ±245 L.F. (PHASE II)
STA.13+03.24, ℄ BULLFINCH DR.= STA.13+07.04, ℄ SCREECH OWL DR.
STA.12+98 TO 13+60 NEW 8" WATER LINE KITTIWAKE LANE ±63 L.F. (PHASE II)
STA.12+93 TO 13+80 NEW 8" WATER LINE BULLFINCH DRIVE ±287 L.F. (PHASE II)
STA.13+24, 10'LT. BULLFINCH DRIVE 1-1" ARV PER STD. W-330
STA.15+41.84, 10'RT. BEGIN PIPE DEFLECTION RAD.=171.00'
STA.13+80 TO 17+50 NEW 8" WATER LINE BULLFINCH DRIVE ±190 L.F. (PHASE II)
STA.16+31.40, 10'RT. BEGIN PIPE DEFLECTION RAD.=448.34'
STA.17+40.43, 10'RT. END PIPE DEFLECTION
STA.17+31.53, 10'LT. KITTIWAKE LANE= STA.16+59.91, 10'RT. BULLFINCH DRIVE 1-8"x6" TEE 2-6" VALVES B&C 1-8" VALVE B&C PHASE II
STA.10+39.28, ℄ BULLFINCH DR.= STA.17+87.52, ℄ SHEARWATER DR.
STA.13+40.00, 10'RT. SHEARWATER DRIVE MODIFIED DVA (PHASE II) REMOVE DVA & CONNECT TO EXIST. 6" (PHASE IC)
SHEARWATER DRIVE STA.13+40 TO CRANE DRIVE STA.13+82 NEW 8" WATER LINE ±902 L.F. (PHASE IC)
STA.12+97.66, 10'RT. SCREECH OWL DRIVE= STA.12+93.30, 10'RT. BULLFINCH DRIVE 1-8"x6" TEE 2-6" VALVES B&C 1-8" VALVE B&C
WATER INV.=2439.94 SEWER INV.=2431.61
SCREECH OWL DRIVE STA.13+60 TO SCOOTER DRIVE STA.14+37 NEW 6" WATER LINE ±502 L.F. (PHASE IC)
STA.17+59.55, 10'RT. SHEARWATER DRIVE 1-8"x6" TEE 1-6" VALVE B&C 20 L.F.± OF 6" 1 FIRE HYDRANT PER TW STD.#500 PHASE IC
STA.16+89.88, 10'LT. SCREECH OWL DRIVE 1-6"x6" TEE 1-6" VALVE B&C 20 L.F.± OF 6" 1 FIRE HYDRANT PER TW STD.#500 PHASE IC
STA.12+61.98, 33.74' LT. CRANE DRIVE 1-6"x90° BEND 1-6" VALVE B & C
STA.18+20, 10'LT. SHEARWATER DRIVE 1-1" ARV PER STD. W-330
STA.18+04.58, ℄ SCREECH OWL DR.= STA.1+00.00, ℄ SCOOTER DR.
STA.18+35, 10'LT. SCREECH OWL DRIVE 1-1" ARV PER STD. W-330
STA.14+37.35, 33.89'LT. SCOOTER DRIVE 1-8"x30° BEND 1-6" VALVE B & C
STA.14+37 TO 14+82 NEW 6" WATER LINE SCOOTER DRIVE ±265 L.F. PHASE IC
STA.13+60.00, 10'LT. SCREECH OWL DRIVE MODIFIED DVA (PHASE II) REMOVE DVA & CONNECT TO EXIST. 6" (PHASE IC)
STA.22+11.92, 10'LT. KITTIWAKE LANE 1-6"x6" TEE 1-6" VALVE B&C 12.5 L.F.± OF 6" 1 FIRE HYDRANT PER TW STD.#500 PHASE IC
STA.18+26.92, 10'LT. KITTIWAKE LANE 1-6"x6" TEE 1-6" VALVE B&C 12.5 L.F.± OF 6" 1 FIRE HYDRANT PER TW STD.#500 PHASE IC
WATER INV.=2449.02 SEWER INV.=2439.88
STA.23+54, 10.00' RT. KITTIWAKE DRIVE 1-3/4" IRRIGATION METER 1-BACKFLOW PREVENTER PER TUCSON WATER SD-1803
WATER INV.=2442.40 PIPE INV.=2440.42 SEE DETAIL C/2
STA.23+00.54, 10'LT. KITTIWAKE LANE= STA.3+82.09, 10'LT. SCOOTER DRIVE 1-8"x6" TEE 2-6" VALVES B&C
EXIST. 8" WATER MAIN
WATER INV.=2443.2 SEWER INV.=2439.43 PULL PATCH (TYPE 2) PER PC/COT STD. 210 ±13 S.Y. 6" MIN. HORIZ. CLEARANCE BETWEEN M.H. AND WATER LINE
STA.25+05.75, 12.50' LT. 1-8"X6" TAPPING SLEEVE 1-6" VALVE B&C CONNECT TO EXIST 8" MAIN
STA.24+95.74, ℄ KITTIWAKE LN.= STA.8+51.72 ℄ MOUNTAIN EAGLE DR
STA.22+90.64, ℄ KITTIWAKE LN.= STA.3+92.11, ℄ SCOOTER DR
STA.18+40, 10'LT. KITTIWAKE LANE 1-1" ARV PER STD. W-330
KITTIWAKE LANE STA.17+95 TO STA.23+01 NEW 6" WATER LINE ±506 L.F. PHASE IC
KITTIWAKE LANE STA.23+01 TO KITTIWAKE LANE STA.23+08 NEW 6" WATER LINE SCREECH OWL DRIVE ±705 L.F. PHASE IC
STA.23+70, 10'LT. KITTIWAKE LANE 1-1" ARV PER STD. W-330
STA.17+95.00, 10'LT. KITTIWAKE LANE MODIFIED DVA (PHASE II) REMOVE DVA & CONNECT TO EXIST. 6" (PHASE IC)
STA.17+32 TO 17+95 NEW 8" WATER LINE KITTIWAKE LANE ±64 L.F. (PHASE II)
STA.15+68.45, ℄ BULLFINCH DR.= STA.17+40.22, ℄ KITTIWAKE LN.
WATER INV.=2448.84 SEWER INV.=2437.61
C/L CURVE/LINE DATA
NOTE: SEE SHEET 3 OF 15 FOR PHASING NOTES
KEY NOTES:
(J) 10' PUBLIC UTILITY EASEMENT (PUE)
(B) NO ACCESS EASEMENT (NAE)
(9H) CULVERT #6.1 1-24" CMP 90 LF @ 1.53% INLET INV = 2446.9 OUTLET INV.= 2446.1
NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE SPANDREL RADIUS IS 25'
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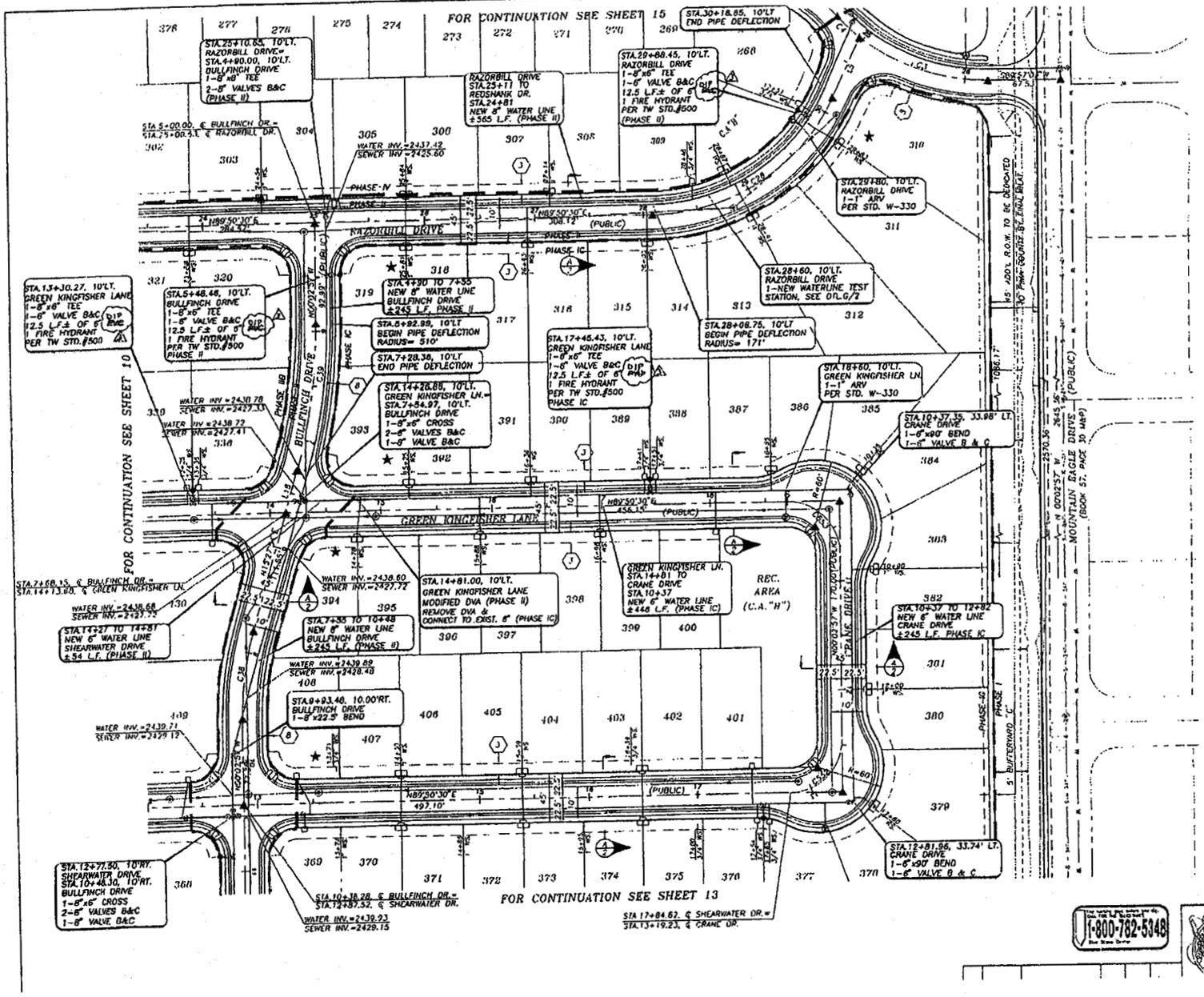
WATER PLANS FOR SONORAN RANCH ESTATES II
PHASE II-IV
LOTS 1-572, COMMON AREA "A" & "B"



SCALE: 1"=40'
CONTOUR INTERVAL = 1'

C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C1	03°22'57"	5.34	181.00	10.99
C2	29°44'51"	48.07	181.00	93.97
C3	39°26'10"	64.87	181.00	124.58
C4	08°41'38"	13.76	181.00	27.46
C28	65°18'00"	115.98	181.00	206.29
C38	15°30'51"	40.87	300.00	81.23
C39	15°30'51"	68.11	500.00	135.39
C552	89°53'27"	47.41	47.50	74.52
C553	90°06'33"	47.59	47.50	74.70

NUMBER	DIRECTION	DISTANCE
L5	S24°32'30"W	60.20'
L17	S71°40'00"E	49.37'
L18	N15°27'54"E	39.78'

NOTE: SEE SHEET 3 OF 15 FOR PHASING NOTES

KEY NOTES:

(J) 10' PUBLIC UTILITY EASEMENT (PUE)

(8) NO ACCESS EASEMENT (NAE)

NOTE: ALL NEW PUBLIC SEWER IS 8" DIAMETER PIPE, UNLESS OTHERWISE NOTED. TYPICAL CURB RETURN RADIUS IS 35', AND THE TYPICAL PROPERTY LINE SPANDREL RADIUS IS 25'

Castro Engineering
consulting engineers and surveyors
3600 WEST INA ROAD SUITE 200
TUCSON, ARIZONA 85741
(520)293-2500 (520)293-2116 (fax)

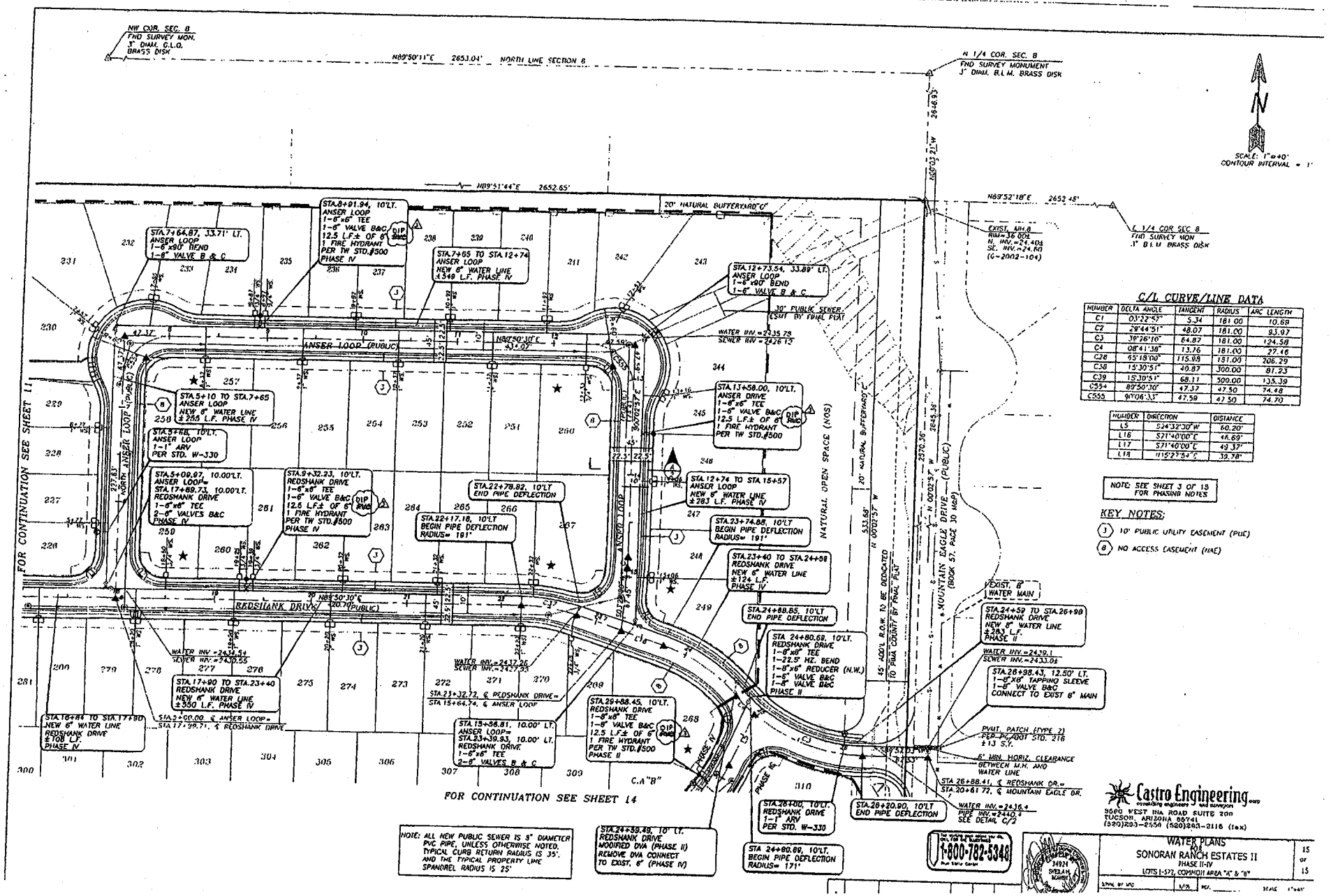
1-800-782-5348

WATER PLANS
FOR
SONORAN RANCH ESTATES II
PHASE II-IV
LOTS 1-572, COMMON AREA "A" & "B"

14 OF 15

DRAWN BY MFC 12/99 KEY: SCALE: 1"=40'

CHKD BY SVR 8/00



C/L CURVE/LINE DATA

NUMBER	DELTA ANGLE	TANGENT	RADIUS	ARC LENGTH
C1	03°22'57"	5.34	181.00	10.69
C2	29°44'51"	48.07	181.00	93.97
C3	39°26'10"	64.87	181.00	124.58
C4	08°41'38"	13.76	181.00	27.46
C28	65°18'00"	115.09	181.00	206.29
C38	15°30'51"	40.87	300.00	81.23
C39	15°30'51"	68.11	500.00	135.39
C554	89°50'30"	47.37	47.50	74.48
C555	90°06'33"	47.59	47.50	74.70

NUMBER	DIRECTION	DISTANCE
L5	S24°32'30"W	60.20'
L16	S21°40'00"E	46.69'
L17	S21°40'00"E	49.37'
L19	N15°27'54"E	39.78'

NOTE: SEE SHEET 3 OF 13 FOR PHASING NOTES

KEY NOTES:

(J) 10' PUBLIC UTILITY EASEMENT (PUE)

(B) NO ACCESS EASEMENT (NAE)

Nordic Corp

Work Order

WO Number 000000004876

WO Code & Description: LOC LOCK OUT METER

INFORMATION ASSIGNED BY OFFICE

NAME: TOPACIO BRITO

SERVICE ID: 34173

ACCOUNT NO: 34173-04

ROUTE NO: 34 READ SEQ:00159

ADDRESS: 8171 W BOOTED EAGLE CT

METER NUMBER: 81149711

PHONE NO.: (520)490-7695

ISSUE DATE: 01/08/2009

PROCESS DATE: 01/08/2009

PROCESS TIME: 04:30 PM

REQUESTED BY:

ASSIGNED BY: NAR

Comments:

LOCK OUT METER

INFORMATION FROM THE FIELD

Fill in Serial number EVERY time*

OLD METER READING:

OLD METER #: 81149711

NEW METER READING:

***NEW METER SERIAL #**

Comments:

UTILITY NOTES:

PREVIOUS READ: 126960.00000 DATE: 01/05/2009

WORK DONE BY:

DATE COMPLETED:

Fill in # of Digits every time

 # OF DIGITS

Labor Charges			
NAME	Rate	HOURS	Amount
Total Labor Charges			

MATERIAL CHARGES				
Part #	ITEM	QTY.	UNIT PRICE	Total
			Total Material Charges	

Total Charges	

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

ARIZONA CORPORATION COMMISSION

BRIAN C. McNEIL
Executive Director

June 16, 2006

Ms. Robin M. Thim
Diablo Village Water Company
Post Office Box 13145
Tucson, Arizona 85732

Dear Ms. Thim:

The enclosed Main Extension Agreement between Diablo Village Water Company and H.B. Diablo, L.L.C. has met the provisions of A.A.C. R14-2-406, or company approved tariffs, and is approved, excepting those provisions, if any, not within the jurisdiction of the Arizona Corporation Commission.

A copy of this agreement will remain on file in the Utilities Division's Central Files.

Sincerely,

Bradley G. Morton

Bradley G. Morton
Public Utility Consumer Service Analyst II
Utilities Division

BGM:tdp

Enclosures

cc: Brian Bozzo

6/20/06
Sent copy to Builder

DIABLO VILLAGE WATER COMPANY
LINE EXTENSION AGREEMENT

This Agreement is between Diablo Village Water Company, an Arizona corporation, ("Utility"), with offices at 6810 East Broadway Blvd, Tucson, Arizona 85710 and H.B. Diablo, L.L.C., an Arizona limited liability company ("Builder").

Recitals:
(capitalized terms not defined in the text are defined in Article 1)

- Utility holds a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission that authorizes Utility to provide public utility water service within the planned community of Caddis Haley Estates, Pima County, Tucson, Arizona.

- Builder proposes to develop a Subdivision within Diablo Village Water Company.

- Diablo Village Water Company requires Builder to enter into a line extension agreement with Utility, in accordance with "current tariffs and rules and regulations approved by the Commission" and further describes Builder's obligations.

- This Agreement is intended to cover Builder's construction and transfer to Utility of "On-Site Subdivision Facilities," and Utility's refund to Builder of advances in aid of construction made by Builder.

In consideration of these recitals, the parties agree as follows:

1. **Definitions**: Capitalized terms are defined as follows:

   1.1 "Agreement" means this Agreement, including all of its exhibits, amendments, and addenda.

   1.2 "Builder" means H.B. Diablo, L.L.C., an Arizona limited liability company, its successors and assigns.

   1.3 "Commission" means the Arizona Corporation Commission.

   1.4 "Distribution Facilities" means the water related facilities needed to be designed, constructed or installed by Builder for the purpose of providing water service to individual lots, housing, or commercial units within Subdivision as set forth in Exhibit B.

   1.5 "Equivalent Residential Unit" (or "ERU") means a single-family residential dwelling located within Subdivision or—in the case of commercial or multi-family customers (excluding right-of-way irrigation) within Subdivision—its equivalent based on the manufacturer's rated capacity of the meter.

   1.6 "Final Acceptance" means Utility's written acceptance of the Distribution Facilities, to be issued after Operational Acceptance, and full completion of such facilities, and after Builder has provided all required submittals set forth in Paragraph 6.12 and all fees set forth in Paragraphs 6.4 and 6.5.

1.7 "Master Plan" means the approved water master-plan report has been submitted to the Utility by Builder's engineer, showing sizes and approximate locations of Distribution Facilities to be constructed to allow Utility to provide water service to Subdivision.

1.8 "PDEQ" means the Pima County Department of Environmental Quality.

1.9 "Operational Acceptance" means Utility's written acceptance of the construction of the Distribution Facilities, subject to further inspection by Utility and Builder's correction of any outstanding punch-list items.

1.10 "Subdivision" means a residential parcel to be constructed by Builder, with single family homes totaling approximately 160 lots and approximately 31 net acres, located within Diablo Village Water Company's ACC Certificated Area, as described in Exhibit A.

1.11 "Utility" means Diablo Village Water Company, an Arizona corporation, its successors and assigns.

1.12 "Caddis Haley" means the approximate 31 acre planned community being developed by Builder in Pima County, Arizona.

2. Intentionally Deleted

3. Intentionally Deleted

4. **Authorizations:**

4.1 Utility will timely use its reasonable best efforts to obtain and renew any authorizations that are required by law or regulation to provide water services to the Subdivision. These authorizations include, but are not limited to, certificates of convenience and necessity, operating agreements, franchises, permits, and similar authorizations obtained from regulatory agencies and other governmental agencies.

4.2 Builder will obtain a Certificate of Approval to Construct from PDEQ (see Exhibit D attached hereto) and all required zoning clearances, construction permits and similar authorizations from regulatory agencies and other governmental agencies for all Distribution Facilities, or other facilities to be constructed by Builder.

4.3 Utility's obligations under this Agreement are contingent upon each party's receipt of all authorizations described in this Article 4. Utility is not liable to Builder or its contractors and subcontractors for damages if Builder begins construction or authorizes the start of construction before these authorizations are obtained.

4.4 After all exhibits to this Agreement are completed, and the Certificate of Approval to Construct is obtained, Utility will promptly apply to the Arizona Corporation Commission for approval of this Agreement.

5. **Master Plan:**

Builder has prepared a Master Plan that shows the locations and sizing of all Distribution Facilities. To the extent not inconsistent with this Agreement, the Master Plan is incorporated in and is a part of this Agreement. Any amendments to the Master Plan must be approved in writing by Utility. Once Utility approves an amendment to the Master Plan the amended Master Plan, becomes part of this Agreement.

6. **Distribution Facilities:**

6.1 Builder will design, construct and install, or cause to be designed, constructed or installed, the Distribution Facilities, as detailed in the Master Plan. Builder's estimated schedule of materials, unit quantities, and costs is set forth in Exhibit C. Builder will pay all of the costs of constructing, installing, and connecting the Distribution Facilities including, but not limited to, the costs of engineering, materials, labor, transportation, equipment, necessary permits and approvals, easements, testing, corrections, insurance, and bonds.

6.2 Builder will schedule completion of the Distribution Facilities to enable Utility to provide water service to the Subdivision as such service is requested.

6.3 If requested by Utility, Builder will oversize the Distribution Facilities according to Utility's specifications. Utility will reimburse Builder for the amount by which the material prices of the oversized facilities exceed the actual material prices of these facilities if not oversized. After Utility's Final Acceptance of the oversized Distribution Facilities, Builder may request reimbursement by submitting a written invoice to Utility. Utility will pay the invoice within, 30 days of its receipt.

6.4 Before Final Acceptance, or upon requesting water service, whichever is first, Builder will submit, as an advance in aid of construction, a cash payment for meter installations as specified in Utility's then current service and meter installation tariff, for each water meter to be set by Utility. Within five days after Utility approves Builder's request, Utility will install a water meter and begin service to a unit.

6.5 Before Final Acceptance of any phase of the Distribution Facilities, or upon requesting water service, whichever is first, Builder will submit a cash payment, based on meters to be installed by Utility, to pay for the following hook-up fees:

a.) Water Facilities Hook-up Fee.

These fees which are specified in more detail in Utility's approved tariffs will be contributions in aid of construction and will not be refunded or credited in any way.

6.6 All plans, specifications, construction and installation of the Distribution Facilities must accord with good Utility practices, the rules, regulations, and requirements of the Arizona Department of Environmental Quality, Utility's specifications and details, and the requirements of all other governmental agencies with jurisdiction Builder will submit to Utility, for its review and approval, all plans and specifications, as well as preliminary plats, final plats, address maps, projected home closings by quarter, and other items reasonably requested by Utility. Construction will not commence until all plans and specifications have been approved in writing by Utility. Utility will not unreasonably withhold

or delay its approval. Builder must begin substantial construction within one year from the date of the initial plan approval. If Builder begins construction of any facilities before all required approvals have been obtained, this construction will be at Builder's sole risk and subject to repair, alteration, or reconstruction at Builder's expense as directed by Utility or any governmental agency.

6.7 Before beginning construction of any Distribution Facilities, Builder will, at no cost to Utility, convey, or cause to be conveyed, to Utility all necessary, perpetual non-exclusive rights-of-way and easements, in forms reasonably satisfactory to Utility's counsel, and obtain all necessary zoning and other governmental approvals.

6.8 Utility will provide, and Builder will comply with, inspection and testing requirements for the Distribution Facilities. Builder will notify Utility when the Distribution Facilities under construction are ready for inspection and testing. Utility will then promptly inspect these Distribution Facilities to determine if it can issue Operational Acceptance. Utility will not issue Operational Acceptance unless it has determined, following inspection and testing, that the Distributional Facilities have been constructed in accordance with the approved plans and specifications and will operate satisfactorily. Following an inspection, Builder will promptly correct all defects and deficiencies in construction, materials and workmanship.

6.9 Distribution Facilities will not be placed in service until:

a.) Utility has completed its operational inspection;

b.) Utility has issued its Operational Acceptance; and

c.) PDEQ has issued its Approval of Construction.

6.10 Utility's Operational Acceptance may contain a punch list of items that require correction. Once all items are corrected to Utility's reasonable satisfaction, Utility will promptly issue a written Final Acceptance. Otherwise, all punch list items must be corrected to Utility's reasonable satisfaction before Utility will issue a Final Acceptance. For one year after Utility's written Operational Acceptance Builder will, upon Utility's request, promptly correct all defects and deficiencies in constriction, materials and workmanship discovered by Utility. Builder will also repair, or cause to be repaired promptly and at no cost to Utility, all damage to the Distribution Facilities caused by construction operations within Subdivision. Utility's inspection or acceptance of Distribution Facilities:

a.) does not relieve or limit Builder's responsibilities and liabilities under this Agreement; or

b.) does not constitute approval of fire-protection requirements set forth by a jurisdictional fire agency.

6.11 Upon Operational Acceptance all Distribution Facilities become and remain Utility's sole property without the requirement of any written document of transfer. Builder will, however, furnish any document pertaining to ownership and title that may be requested by

Utility, including documents that evidence or confirm transfer of possession to Utility, and good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Builder. All risk of loss of Distribution Facilities remains with Builder until written Operational Acceptance by Utility of Distribution Facilities. Builder acknowledges that Utility has the right to, and may, connect its existing or future water systems to the Distribution Facilities.

6.12 Builder will, within 30 days of Operational Acceptance of the Distribution Facilities by Utility, furnish Utility with:

a.) copies of all contracts and paid bills, invoices and other statements of expenses incurred by Builder, covering all of the costs of materials, equipment, supplies, construction and installation of the Distribution Facilities;

b.) lien waivers and releases from contractors, subcontractors, and vendors for materials, equipment, supplies, and construction included in the Distribution Facilities;

c.) receipts, specifying exact amount of payments in full by Builder to all contractors, subcontractors and vendors for all materials, equipment, supplies, labor, and other costs of construction of the Distribution Facilities;

d.) "as-built" drawings on 4-mil Mylar, certified as to correctness by an engineer registered in the State of Arizona and showing the locations, materials, and respective sizes, and pertinent construction details for all Distribution Facilities; and

e.) CAD files, in electronic format acceptable to Utility, of the construction drawings, and, if Subdivision is a residential subdivision, of the final plat, in accordance with Utility's specifications.

7. Advances in Aid of Construction:

7.1 Upon Operational Acceptance, Builder's cost of construction and installation of Distribution Facilities—as evidenced by the invoices furnished to Utility under Paragraph 6.12—will be treated as advances in aid of construction and eligible for refund under Paragraph 7.3

7.2 If all or any portion of Builder's advances in aid of construction, whether already paid or to be paid, will constitute taxable income to Utility, Builder will advance funds to Utility in an amount required to gross-up the advance so that Utility's after-tax benefit will equal what it would be if no taxes were owed.

a.) For advances already made, Builder will remit the required funds to Utility within 30 days after Utility notifies Builder that the advances will likely constitute taxable income.

b.) Future advances, if any, will also be grossed up once Utility notifies Builder that the advances will likely constitute taxable income.

c.) Utility's notice will include documentation reasonably necessary to substantiate its

liability for income taxes, such as a determination or notification by a governmental authority, amendment to the Internal Revenue Code, a regulation promulgated by the Internal Revenue Service, or similar change to any statute, rule or regulation relating to this matter.

d). If additional funds are paid by Builder under this paragraph, these funds will also constitute advances in aid of construction.

e.) Builder also indemnities and holds Utility harmless for, from, and against any tax-related interest, fines and penalties assessed against Utility and other costs and expenses incurred by Utility, including legal fees, as a consequence of Builder's late payment of the amounts described above.

f.) The gross-up amount will be calculated as follows:

$$G=A \times R/(1-R)$$

Where: G = Gross-up amount;
A = Amount of advances; and
R = Percentage tax rate.

7.3 Refunds of advances in aid of construction will be made in accordance with this paragraph. There will be five consecutive refund years for Distribution Facilities. Refund year one, which may be a partial year, will begin on the date utility service begins under paragraph 6.9 and will end on the next June 30. Refund years two through five will each date from July 1 to June 30. Each refund year Utility will refund ten-percent of Utility's total tariffed water revenues from customers in the Subdivision (excluding all gross receipts taxes or sales taxes, and all District, Municipal, County, State or Federally imposed regulatory assessments). For each refund year, Utility will pay a refund to Builder by the August 31 after the end of the refund year. Refunds will be paid for each of the refund years in which Utility receives revenue, but the total refunds to be paid for Distribution Facilities cannot exceed the total amounts paid by Builder as advances in aid of construction. Any balance remaining at the end of the five-year period is non-refundable. No interest will be earned or paid on any advance in aid of construction.

8. <u>General Provisions</u>:

8.1 After satisfaction of the following conditions, Utility will provide water service to the Subdivision in accordance with the rates, charges and conditions set forth in Utility's Commission-approved tariffs:

a.) Utility has issued Operational Acceptance of the Distribution Facilities;

b.) ADEQ has issued its Approval of Construction; and

c.) Builder has paid all fees required by this Agreement or by the terms of Utility's then-current and applicable tariffs.

Utility's rates, charges and tariffs are subject to change from time to time upon approval

by the Commission.

8.2 Utility will provide Builder water for construction uses within Subdivision, but only if water is available after serving all other customers connected to Utility's system. Utility expects to meter all water, but upon Builder's requests to use un-metered water and Utility's approval, water used to construct water and wastewater facilities may be unmetered. Utility will estimate, in accordance with Utility's standard procedures, all unmetered water usage. Whether estimated or metered, Utility will bill Builder at Utility's then-current tariff rate. Utility may estimate and bill Builder for any unauthorized unmetered water use for Subdivision. If Builder continues to use unauthorized unmetered water use after Utility notifies Builder to stop using unauthorized un-metered water, Utility may terminate this Agreement and have no further obligation to provide water service.

8.3 Utility will use its reasonable best efforts to maintain satisfactory and continuous service, but does not guarantee a continuous supply of water service. Utility is not liable for damages occasioned by interruptions or failure to commence service or unsatisfactory service or any act or failure to act arising out of this Agreement caused by an act of God, or the public enemy, accident, fire, explosions, strikes, riots, war, delay in receiving shipments of required material, order of any court or judge granted in any bona fide adverse legal proceedings or action, or any order of any commission or tribunal having jurisdiction in the premises; or without limitation by the preceding enumeration, any other act or thing reasonably beyond its control, or incident to interruptions necessary for repairs or changes in Utility's production, storage, transmission, and distribution facilities.

8.4 Utility does not warrant, guarantee, or represent that the water utility services it provides will comply with any fire-protection requirements of any governmental agency, or of any county, municipal, or private fire-protection providers. Utility will only supply water at pressures required under AA.C. R14-2-407.F for the normal operation of its system, but at not less than a pressure of 20 pounds per square inch.

8.5 Builder must abandon all wells within Subdivision that are not owned, or to be owned by Utility, an irrigation authority, or a water district, in accordance with A.A.C. R-l2-lS-8i6, the rules and orders of the Arizona Department of Water Resources, and Utility's rules, standards and specifications for well abandonment. Utility will not provide Operational Acceptance of the Distribution Facilities before Builder abandons all wells identified by Utility, and Utility approves all well abandonments in writing.

8.6 Before beginning construction of Distribution Facilities, Builder will furnish Utility with appropriate certificates of insurance coverage effective during the period of construction in the following types and amounts:

a.) Worker's Compensation Insurance and Occupational Disease Disability Insurance in the benefit amounts required by the laws and regulations of the State of Arizona.

b.) Commercial General Liability Insurance, including operations and protective liability coverage, with limits of not less than $2,000,000 combined single limit for bodily injury (including death) and property damage. When the work to be performed requires blasting, Builder's insurance will specifically cover that risk. Utility will be named as an additional Insured.

c.) Comprehensive Automobile Liability Insurance with Limits of $300,000/Single limit covering all owned and non-owned automobiles or trucks used by or on behalf of Builder in connection with the work.

8.7 Builder indemnifies and holds Utility, its officers, directors, agents, and employees harmless from and against all claims, damages, costs and expenses, including penalties and assessments, attorneys' fees and court costs, to which they or any of them may be subjected by reason of injury, death, loss, claim, penalty, assessment or damage caused or contributed to by the active or passive negligence of Builder, its agents, servants, employees, contractors or subcontractors in the execution of the work or in connection therewith. If any suit or other proceeding is brought on this account, Builder will assume the defense at Builder's expense and will pay all judgements rendered therein. The foregoing indemnity does not cover any negligent or wrongful acts of Utility, its officers, directors, agents or employees.

8.8 If a party waives or fails to enforce any provision of this Agreement, it does not mean that the party has generally waived the Agreement or relinquished any rights under the Agreement, and the Agreement remains in full force and effect.

8.9 Communications under this Agreement should be addressed as follows:

Builder: H.B. Diablo, L.L.C.
3567 East Sunrise Drive, Suite 219
Tucson, AZ 85718
Telephone: 520-529-2822
Fax: 520-577-2391

Utility: Diablo Village Water Company
Attn: Robin M Thim
P.O. Box 13145
Tucson, AZ 85732
Telephone: 520-290-1255
Fax: 520-290-8999

Either party may change its address by notifying the other party in writing.

8.10 Utility is not an agent for Builder and will not incur any costs or expenses on behalf of Builder. Builder is not an agent for Utility and will not incur any costs or expenses on behalf of Utility.

8.11 This Agreement is governed by the laws of the State of Arizona, and its performance is subject to regulation by the State of Arizona, and Arizona and federal regulatory agencies with jurisdiction.

8.12 There are no oral or collateral agreements between the parties concerning the subject matter of this Agreement and any reasonably-related matters and this Agreement sets forth the entire understanding between the parties. All changes or amendments to this Agreement must be in writing and signed by the parties. If the Distribution Facilities will

be designed or constructed in two or more phases, this Agreement applies to all such phases.

8.13 Builder may once assign its rights, obligations, and interest in this Agreement. Builder will timely notify Utility of assignee's new contact information under paragraph 8.9 of this Agreement and provide Utility a copy of the assignment document. Any additional attempted assignment of this Agreement without Utility's prior written consent is void. This Agreement binds and inures to the benefit of the parties and their respective legal representatives, successors and assigns.

8.14 This Agreement is void—unless waived in writing by Utility—if Builder does not begin construction within one year from the date of this Agreement. At least 30 days before the date, Builder may issue a written request to Utility to extend this Agreement for a period of up to six months. The request for extension must set forth with particularity the circumstances requiring the extension, state Builder's new proposed construction start date, and include a reasonable schedule to meet that date. Utility's approval of the request for extension will not be unreasonably withheld.

8.15 Builder estimates a construction start date of [illegible], 200[illegible] and a construction completion date of [illegible], 20[illegible].

Signed by the parties as of [illegible], **200**[illegible]

By: H.B. Diablo, L.L.C., an Arizona limited liability company

J. Robert Hadd III, its Manager

By: Diablo Village Water Company, an Arizona corporation

Robin M. Thim, President

Date Approved: 6-16-06
Decision No.:
Director of Utilities
Arizona Corporation Commission
By: Bradley H. Morton

STATE OF Arizona)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this 21st day of ~~2006~~ April, 2006 by Robin M Thim, President of Diablo Village Water Company, an Arizona corporation, on behalf of the corporation.

My Commission expires: _____

CINDY L. SHUMATE
Notary Public - Arizona
Pima County
My Commission Expires
April 25, 2007

STATE OF Arizona)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this 19th day of December, 2006, by J. Robert Hadd III on behalf of H.B. Diablo, L.L.C. an Arizona limited liability company in his capacity as Manager

My commission expires:

OFFICIAL SEAL
KAROL A. AUNE
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Exp. March 31, 2007

A

WATER USE DATA SHEET

NAME OF COMPANY →	Diablo Village Water Company
ADEQ Public Water System No. →	10-357

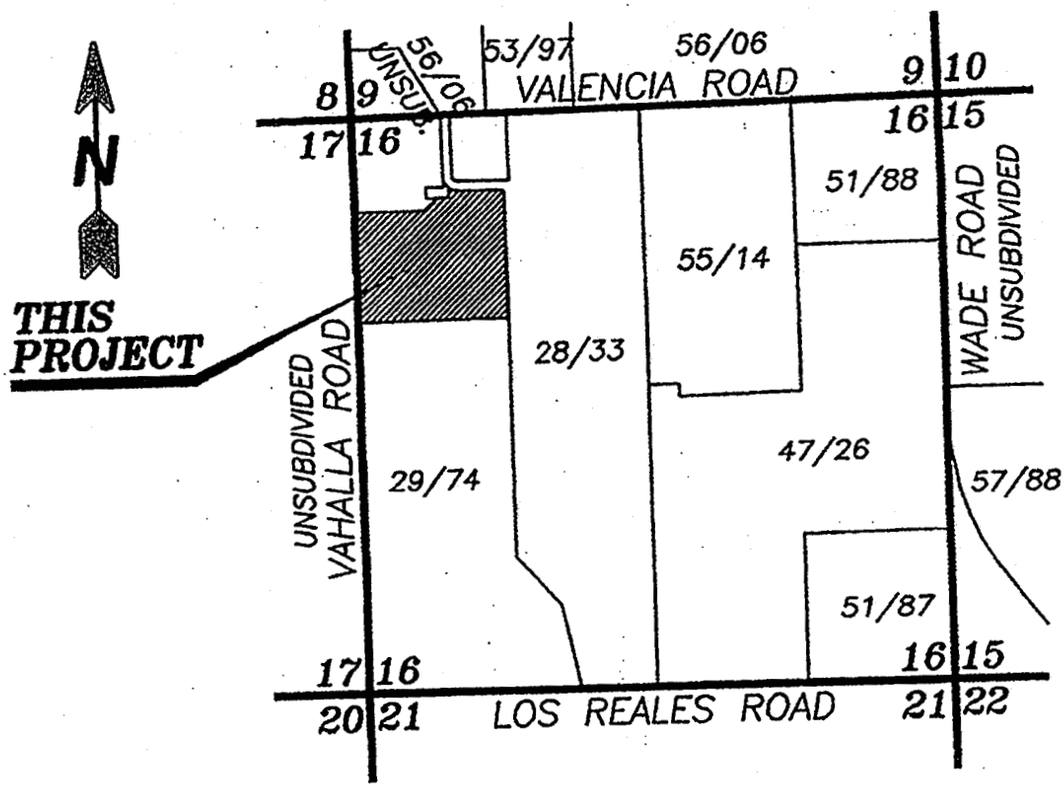
MONTH/YEAR (Last 13 Months	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)
March 2006	829	6,616
February 2006	813	8,046
January 2006	782	6,655
December 2005	756	4737
November 2005	734	2927
October 2005	720	3355
September 2005	700	3500
August 2005	656	3120
July 2005	618	3177
June 2005	562	4397
May 2005	501	3480
April 2005	468	2666
March 2005	424	3076

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
200,000	1	55 801496	400

Other Water Sources in Gallons per Minute →	GPM 500
Fire Hydrants on System →	(Yes) No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	55,752

EXHIBIT B

BK._____ PG._____



LOCATION MAP

SECTION 16, T-15-S, R-12-E
G&SRM, PIMA COUNTY, ARIZONA
SCALE: 3" = 1 MILE

AIA® Document A101™ – 1997

Standard Form of Agreement Between Owner and Contractor where the basis of payment is a STIPULATED SUM

AGREEMENT made as of the 12th day of December in the year of 2005
(In words, indicate day, month and year)

BETWEEN the Owner:
(Name, address and other information)

HB Diablo, an Arizona limited liability Company
3567 E. Sunrise, Suite 219
Tucson, AZ 85718

and the Contractor:
(Name, address and other information)

Eagle Rock Excavating, LLC
4750 N. La Cholla Blvd.
Tucson, AZ 85705

The Project is:
(Name and location)

Caddis Haley Estates
Valencia & Vahalla

The Architect is:
(Name, address and other information)

Castro Engineering Corp
3580 W. Ina Road, Suite 200
Tucson, AZ 85741

The Owner and Contractor agree as follows.

ADDITIONS AND DELETIONS:
The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

AIA Document A201-1997, General Conditions of the Contract for Construction, is adopted in this document by reference. Do not use with other general conditions unless this document is modified.

This document has been approved and endorsed by The Associated General Contractors of America.

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User Notes:

(707923908)

EXHIBIT C – COST BREAKDOWN

Attachment "A"

Caddis Haley Estates — **161 Lots** — **12-Dec-05**

Line item cost breakdown:	Qty:	Unit:	Unit Cost:	Total:
A. Onsite Earthwork				
1 Mobilization	1	LS @	$ 5,000.00	$ 5,000.00
2 Silt fence	8775	LF @	$ 2.20	$ 19,305.00
3 Gravel entrance	1440	SF @	$ 1.00	$ 1,440.00
4 Temporaty "V" trench	3800	LF @	$ 0.50	$ 1,900.00
5 Clear & Grubb	34	Acres	$ 825.00	$ 28,050.00
6 8" pre-compaction & scarification of fill areas	109000	SY	$ 0.36	$ 39,240.00
7 Mass Excavation and Backfill of Material Onsite	33440	CY	$ 3.12	$ 104,332.80
8 Over-excavation	4900	CY	$ 3.12	$ 15,288.00
9 Import & place material	32435	CY	$ 10.22	$ 331,485.70
10 Fine grade basins	8700	SY @	$ 1.00	$ 8,700.00
11 Finish Pads	161	EA	$ 330.00	$ 53,130.00
			Total	**$ 607,871.50**
B. Public Sewer				
1 10" PVC SDR 35	1229	LF @	$ 38.16	$ 46,898.64
2 10" DIP SP 2000	192	LF @	$ 93.35	$ 17,923.20
3 8" PVC SDR 35	5904	LF @	$ 29.52	$ 174,286.08
4 4' Manhole with standard frame & cover	27	EA @	$ 3,216.00	$ 86,832.00
5 Manhole collar per detail 213	6	EA @	$ 600.00	$ 3,600.00
6 6" stabilized surface treatment	30180	SF @	$ 2.50	$ 75,450.00
7 Tie into existing blockout	1	EA @	$ 750.00	$ 750.00
8 HCS services	161	EA @	$ 634.00	$ 102,074.00
9 Testing	1	EA @	$ 1,000.00	$ 1,000.00
			Total	**$ 508,813.92**

Note 1: Backwater valves specifically excluded from this proposal.
Note 2: Any by-pass pumping that may be required by PCWWM will be done on a T & M basis.

C. Water				
1 12" PVC CL 200 Mainline	620	LF@	$ 67.75	$ 42,005.00
2 12" DIP CL 350	144	LF@	$ 85.04	$ 12,245.76
3 8" PVC CL 200 Mainline	20	LF@	$ 59.89	$ 1,197.80
4 6" PVC CL 200 Mainline	5700	LF@	$ 26.41	$ 150,537.00
5 6"DIP CL 350 Mainline	90	LF@	$ 42.33	$ 3,809.70
6 Abandon 8" waterline	593	LF @	$ 8.00	$ 4,744.00
7 Connect to existing	4	EA @	$ 400.00	$ 1,600.00
8 12" valves	5	EA @	$ 1,840.00	$ 9,200.00
9 8" valves	2	EA @	$ 1,025.00	$ 2,050.00
10 6" valves	30	EA @	$ 720.00	$ 21,600.00
11 Hydrants	13	EA @	$ 2,225.00	$ 28,925.00
12 2" DVA	1	EA @	$ 515.00	$ 515.00
13 ARV	4	EA @	$ 500.00	$ 2,000.00
14 3/4" Single Service	11	EA @	$ 732.00	$ 8,052.00
15 1" Double Service	75	EA @	$ 950.00	$ 71,250.00
16 Testing	1	LS @	$ 1,000.00	$ 1,000.00
			Total	**$ 360,731.26**

Note 1: Service price includes going back & setting meter boxes after curb is installed.

EXHIBIT D

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY
TECHNICAL SERVICES DIVISION
150 West Congress, 1st Floor, Tucson, Arizona 85701-1317
Telephone: 740-3340

CERTIFICATE OF APPROVAL TO CONSTRUCT
Water and/or Wastewater Facilities

System Name: DIABLO VILLAGE WATER COMPANY System No.: 10-357

Project Owner: THIM UTILITY COMPANY

Address: P.O. BOX 13145, TUCSON, ARIZONA 85732-3145

Project Location: T-15-S, R-12-E, SECTION 16 County: PIMA

Description: WATER EXTENSION TO SERVE CADDIS HALEY ESTATES, LOTS 1-161

Approval to construct the above, described facilities as represented in the approved plan on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

A PROFESSIONAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA, OR A PERSON UNDER THE DIRECT SUPERVISION THEREOF, SHALL COMPLETE A FINAL INSPECTION AND SUBMIT A CERTIFICATE OF COMPLETION TO THE DEPARTMENT. AFTER COMPLETION OF CONSTRUCTION, AND ACCEPTANCE BY PIMA COUNTY, ACCURATE "AS BUILT" PLANS, AN ENGINEER'S CERTIFICATE OF COMPLETION, PRESSURE AND MICROBIOLOGICAL TESTING SHALL BE PREPARED AND SUBMITTED TO PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY IN ORDER TO OBTAIN AN APPROVAL OF CONSTRUCTION.

The State law, A.R.S. 49-353, requires that construction of the project must be in accordance with the rules and regulations of the Arizona Department of Environmental Quality.

If this project includes trenching, land stripping, earthmoving or road construction, an air quality activity permit may be required pursuant to P. C. C. Title 17.12.470. For inquires, regarding air quality activity permits, please call 740-3957.

If construction has not started within one year of the date of this issue, this certificate will be void and a written extension of time shall be required.

Date Approved: January 6, 2006
This approval supercedes the approval dated 10/12/04 to account for a 1-year time extension.

Ursula Kramer,
Director

By: _____
Richard Grimaldi
Deputy Director

By: _____
Mike Redmond, R.S.
Sr. Civil Engineering Asst.

Cc: File No. P049704
ADEQ, SRO
Diablo Village Water Co.
Engineer- Castro Engineering

G:\Water\Water-Sewer Plan Review\Approvals\04plans\P049704.wtr2.doc

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

ARIZONA CORPORATION COMMISSION

BRIAN C. McNEIL
Executive Director

April 6, 2007

Ms. Robin M. Thim
Diablo Village Water Company
Post Office Box 13145
Tucson, Arizona 85732

Dear Ms. Thim:

The enclosed Main Extension Agreement between Diablo Village Water Company and Sierra Pacific Homes LLC, Sonoran Ranch Estates II, Lots 213-337 has met the provisions of A.A.C. R14-2-406, or company approved tariffs, and is approved, excepting those provisions, if any, not within the jurisdiction of the Arizona Corporation Commission.

A copy of this agreement will remain on file in the Utilities Division's Central Files.

Sincerely,

Bradley G. Morton

Bradley G. Morton
Public Utility Consumer Service Analyst II
Utilities Division

BGM:tdp

Enclosures

DIABLO VILLAGE WATER COMPANY
WATER LINE EXTENSION AGREEMENT

This Water Line Extension Agreement (this "Agreement") is between DIABLO VILLAGE WATER COMPANY, an Arizona corporation, ("Utility"), with offices at 6810 East Broadway Boulevard, Tucson, Arizona 85710 and SIERRA PACIFIC HOMES LLC, ("Builder"), with offices at 2855 W. Master Pieces Dr, Suite 101, Tucson, Arizona 85741.

RECITALS

A. Utility holds a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission (the "Commission") that authorizes Utility to provide public utility water service within the planned community of Sonoran Ranch Estates II.

B. Builder proposes to develop a Subdivision within Diablo Village Water Company.

C. Diablo Village Water Company requires that Builder enter into a line extension agreement with Utility, in accordance with "current tariffs and rules and regulations approved by the Commission" and further describes Builder's obligations.

D. This Agreement is intended to cover Builder's construction and transfer to Utility of "On-Site Subdivision Facilities," and Utility's refund to Builder of advances in aid of construction made by Builder.

AGREEMENT

In consideration of the foregoing recitals, the parties agree as follows:

1. Definitions. Capitalized terms are defined as follows:

    1. "Distribution Facilities" means the water related facilities needed to be designed, constructed or installed by Builder for the purpose of providing water service to individual lots, housing, or commercial units within Subdivision as set forth in Exhibit A.

    2. "Equivalent Residential Unit" (or "ERU") means a single-family residential dwelling located within Subdivision or - in the case of commercial or multi-family customers (excluding right-of-way irrigation) within Subdivision - its equivalent based on the manufacturer's rated capacity of the meter.

    3. "Final Acceptance" means Utility's written acceptance of the Distribution Facilities, to be issued after Operational Acceptance, and full completion

of such facilities, and after Builder has provided all required submittals set forth in Paragraph 6.12 and all fees set forth in Paragraphs 6.4 and 6.5.

4. Master Plan" means the approved water master-plan report has been submitted to the Utility by Builder's engineer, showing sizes and approximate locations of Distribution Facilities to be constructed to allow Utility to provide water service to Subdivision.

5. "PDEQ" means the Pima County Department of Environmental Quality.

6. "Operational Acceptance" means Utility's written acceptance of the construction of the Distribution Facilities, subject to further inspection by Utility and Builder's correction of any outstanding punch-list items.

7. "Subdivision" means a residential parcel to be constructed by Builder, with Single Family Homes totaling approximately 145 lots and approximately 22 net acres, located within Diablo Village Water Company's ACC Certificated Area, as more particularly described on Exhibit A.

8. "Utility" means Diablo Village Water Company, an Arizona corporation, its successors and assigns.

2. Authorizations:

1. Utility will timely use its best efforts to obtain and renew any authorizations that are required by law or regulation to provide water services to the Subdivision. These authorizations include but are not limited to certificates of convenience and necessity, operating agreements, franchises, permits, and similar authorizations obtained from regulatory agencies and other governmental agencies.

2. Builder will obtain a Certificate of Approval to Construct from PDEQ and all required zoning clearances, construction permits and similar authorizations from regulatory agencies and other governmental agencies for all Distribution Facilities, or other facilities to be constructed by Builder.

3. Utility's obligations under this Agreement are contingent upon each party's receipt of all authorizations described in this Article 2. Utility is not liable to Builder or its contractors and subcontractors for damages if Builder begins construction or authorizes the start of construction before these authorizations are obtained.

4. After all exhibits to this Agreement are completed, and the Certificate of Approval to Construct is obtained, Utility will promptly apply to the Commission for approval of this Agreement.

3. Master Plan. Builder has prepared a Master Plan that shows the locations and sizing of all Distribution Facilities. To the extent not inconsistent with this Agreement, the Master Plan, is incorporated in and is a part of this Agreement. Any amendments to the Master Plan must be approved in writing by Utility. Once Utility approves an amendment to the Master Plan, the amended Master Plan becomes part of this Agreement.

4. Distribution Facilities.

   1. Builder will design, construct and install, or cause to be designed, constructed or installed, the Distribution Facilities, as detailed in the Master Plan. Builder's estimated schedule of materials, unit quantities, and costs is set forth in Exhibit B. Builder will pay all of the costs of constructing, installing, and connecting the Distribution Facilities including, but not limited to, the costs of engineering, materials, labor, transportation, equipment, necessary permits and approvals, easements, testing, corrections, insurance, and bonds.

   2. Builder will schedule completion of the Distribution Facilities to enable Utility to provide water service to the Subdivision as such service is requested.

   3. If requested by Utility, Builder will oversize the Distribution Facilities according to Utility's specifications. Utility will reimburse Builder for the amount by which the material prices of the oversized facilities exceed the actual material prices of these facilities if not oversized. After Utility's Final Acceptance of the oversized Distribution Facilities, Builder may request reimbursement by submitting a written invoice to Utility. Utility will pay the invoice within thirty (30) days of its receipt.

   4. Before Final Acceptance, or upon requesting water service, whichever is first, Builder will submit, as an advance in aid of construction, a cash payment for meter installations as specified in Utility's then-current service and meter installation tariff, for each water meter to be set, by Utility. Within five (5) days after Utility approves Builder's request. Utility will install a water meter and begin service to a unit.

   5. Before Final Acceptance of any phase of the Distribution Facilities, or upon requesting water service, whichever is first, Builder will submit a cash payment, based on meters to be installed by Utility, to pay for any water facilities hook-up fees. These fees are specified in more detail in Utility's approved tariffs, will be contributions in aid of construction and will not be refunded or credited in any way.

1. All plans, specifications, construction and installation of the Distribution Facilities must accord with good Utility practices, the rules, regulations, and requirements of the Arizona Department of Environmental Quality, Utility's specifications and details, and the requirements of all other governmental agencies with jurisdictional Builder will submit to Utility, for its review and approval, all plans and specifications, as well as preliminary plats, final plats, address maps, projected home closings by quarter, and other items reasonably requested by Utility. Construction will not commence until all plans and specifications have been approved in writing by Utility. Utility will not unreasonably withhold or delay its approval. Builder must begin substantial construction within one year from the date of the initial plan approval. If Builder begins construction of any facilities before all required approvals have been obtained, this construction will be at Builder's sole risk and subject to repair, alteration, or reconstruction at Builder's expense as directed by Utility or any governmental agency.

2. Before beginning construction of any Distribution Facilities, Builder will, at no cost to Utility, convey, or cause to be conveyed, to Utility, all necessary, perpetual non-exclusive fights-of-way and easements, in forms reasonably satisfactory to Utility's counsel, and obtain all necessary zoning and other governmental approvals.

3. Utility will provide, and Builder will comply with, inspection and testing requirements for the Distribution Facilities, Builder will notify Utility when the Distribution Facilities under construction are ready for inspection and testing. Utility will then promptly inspect these Distribution Facilities to determine if it can issue Operational Acceptance. Utility will not issue Operational Acceptance unless it has determined, following inspection and testing, that the Distributional Facilities have been constructed in accordance with the approved plans and specifications and will operate satisfactorily. Following an inspection, Builder will promptly correct all defects and deficiencies in construction, materials and workmanship.

4. Distribution Facilities will not be placed in service until: (i) Utility has completed its operational inspection; (ii) Utility has issued its Operational Acceptance; and (iii) PDEQ has issued its Approval of Construction.

5. Utility's Operational Acceptance may contain a punch list of items that require correction. Once all items are corrected to Utility's reasonable satisfaction, Utility will promptly issue a written Final Acceptance. Otherwise, all punch list items must be corrected to Utility's reasonable satisfaction before Utility will issue a Final Acceptance. For one year after Utility's written Operational Acceptance, Builder will, upon

Utility's request, promptly correct all defects and deficiencies in constriction,, materials and workmanship discovered by Utility. Builder will also repair or cause to be repaired promptly, and at no cost to Utility, all damage to the Distribution Facilities caused by construction operations within Subdivision.

6. Upon Operational Acceptance all Distribution Facilities become and remain Utility's sole property without the requirement of any written document of transfer. Builder will, however, furnish any document pertaining to ownership and title that may be requested by Utility, including documents that evidence or confirm transfer of possession to Utility, and good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Builder. All risk of loss of Distribution Facilities remains with Builder until written Operational Acceptance by Utility of Distribution Facilities. Builder acknowledges that Utility has the right to, and may, connect its existing or fixture water systems to the Distribution Facilities.

4. Advances in Aid of Construction.

1. Upon Operational Acceptance, Builder's cost of construction and installation of Distribution Facilities will be treated as advances in aid of construction and eligible for refund under Paragraph 5.3

2. If all or any portion of Builder's advances in aid of construction, whether already paid or to be paid, will constitute taxable income to Utility, Builder will advance funds to Utility in an amount required to gross-up the advance so that Utility's after-tax benefit will equal what it would be if no taxes were owed. For advances already made, Builder will remit the required funds to Utility within thirty (30) days after Utility notifies Builder that the advances will likely constitute taxable income. Future advances, if any, will also be grossed up once Utility notifies Builder that the advances will likely constitute taxable income. Utility's notice will include documentation reasonably necessary to substantiate its liability for income taxes, such as a determination or notification by a governmental authority, amendment to the Internal Revenue Code, a regulation promulgated by the Internal Revenue Service, or similar change to any statute, rule or regulation relating to this matter. If additional funds are paid by Builder under this paragraph, these funds will also constitute advances in aid of construction. Builder also indemnifies and holds Utility harmless for, from, and against any tax-related interest, fines and penalties assessed against Utility and other costs and expenses incurred by Utility, including legal fees, as a consequence of Builder's late payment of the amounts described above.

The gross-up amount will be calculated as follows: G=A x R/(l-R); Where: G = Gross-up amount; A = Amount of advances; and R = Percentage tax rate.

1. Refunds of advances in aid of construction will be made in accordance with this paragraph. There will be five (5) consecutive refund years for Distribution Facilities. Refund year one (1), which may be a partial year, will begin on the date utility service begins under paragraph 4.9 and will end on the next June 30. Refund years two through five (1-5) will each date from July 1 to June 30. Each refund year Utility will refund ten-percent (10%) of Utility's total tariffed water revenues from customers in the Subdivision (excluding all gross receipts taxes or sales taxes, and all District, Municipal, County, State or Federally imposed regulatory assessments). For each refund year, Utility will pay a refund to Builder by the August 31 after the end of the refund year. Refunds will be paid for each of the refund years in which Utility receives revenue, but the total refunds to be paid for Distribution Facilities cannot exceed the total amounts paid by Builder as advances in aid of construction. Any balance remaining at the end of the five-year period is nonrefundable. No interest will be earned or paid on any advance in aid of construction.

4. General Provisions.

1. After satisfaction of the following conditions, Utility will provide water service to the Subdivision in accordance with the rates, charges and conditions set forth in Utility's Commission-approved tariffs: (i) Utility has issued Operational Acceptance of the Distribution Facilities; (ii) ADEQ has issued its Approval of Construction; and (iii) Builder has paid all fees required by this Agreement or by the terms of Utility's then current and applicable tariffs. Utility's rates, charges and tariffs are subject to change from time to time upon approval by the Commission.

2. Utility will provide Builder water for construction uses within Subdivision, but only if water is available after serving all other customers connected to Utility's system. Utility expects to meter all water, but upon Builder's requests to use un-metered water and Utility's approval, water used to construct water and wastewater facilities may be un-metered. Utility will estimate, in accordance with Utility's standard procedures, all un-metered water usage. Whether estimated or metered, Utility will bill Builder at Utility's then-current tariff rate. Utility may estimate and bill Builder for any unauthorized un-metered water use for Subdivision. If Builder continues to use unauthorized un-metered water use after Utility notifies Builder to stop using unauthorized un-metered water, Utility may terminate this Agreement and have no further obligation to provide water service.

3. Utility will use its best efforts to maintain satisfactory and continuous service, but does not guarantee a continuous supply of water service. Utility is not liable for damages occasioned by interruptions or failure to commence service or unsatisfactory service or any act or failure to act arising out of this Agreement caused by an act of God or the public enemy, accident, fire, explosions, strikes, riots, war, delay in receiving shipments of required material, order of any court or judge granted in any bona fide adverse legal proceedings or action, or any order of any commission or tribunal having jurisdiction in the premises; or without limitation by the preceding enumeration, any other act or thing reasonably beyond its control, or incident to interruptions necessary for repairs or changes in Utility's production, storage, transmission, and distribution facilities.

4. Utility does not warrant, guarantee, or represent that the water utility services it provides will comply with any fire-protection requirements of any governmental agency, or of any county, municipal, or private fire-protection providers. Utility will only supply water at pressures required under A.A.C. R14-2-407.F for the normal operation of its system, but at not less than a pressure of 20 pounds per square inch.

5. Builder must abandon all wells within Subdivision that are not owned or to be owned by Utility, an irrigation authority, or a water district, in accordance with A.A.C. R-l2-l5-816, the rules and orders of the Arizona Department of Water Resources, and Utility's rules, standards and specifications for well abandonment. Utility will not provide Operational Acceptance of the Distribution Facilities before Builder abandons all wells identified by Utility, and Utility approves all well abandonments in writing.

6. If a party waives or fails to enforce any provision of' this Agreement, it does not mean that the party has generally waived the Agreement or relinquished any rights under the Agreement, and the Agreement remains in full force and effect.

7. Communications under this Agreement should be should be addressed as follows:

Builder: SIERRA PACIFIC HOMES LLC
Attn: John Agresti
2855 W. Master Pieces Dr, Suite 101
Tucson, Arizona 85741
Facsimile Number: (520) 795-3923
Utility: Diablo Village Water Company
Attn: Robin M. Thim
P.O. Box 13145

Tucson, AZ 85732
Facsimile Number: (520) 290-8999

Either party may change its address by notifying the other party in writing.

8. Utility is not an agent for Builder and will not incur any costs or expenses on behalf of Builder. Builder is not an agent for Utility and will not incur any costs or expenses on behalf of Utility.

9. This Agreement is governed by the laws of the State of Arizona, and its performance is subject to regulation by the State of Arizona, and Arizona and federal regulatory agencies with jurisdiction.

10. There are no oral or collateral agreements between the parties concerning the subject matter of this Agreement and any reasonably-related matters and this Agreement sets forth the entire understanding between the parties. All changes or amendments to this Agreement must be in writing and signed by the parties. If the Distribution Facilities will be designed or constructed in two or more phases, this Agreement applies to all such phases.

11. Builder may once assign its rights, obligations, and interest in this Agreement. Builder will timely notify Utility of assignee's new contact information under paragraph 6.7 of this Agreement and provide Utility a copy of the assignment document. Any additional attempted assignment of this Agreement without Utility's prior written consent is void. This Agreement binds and inures to the benefit of the parties, and their respective legal representatives, successors and assigns.

12. This Agreement is void - unless waived in writing by Utility - if Builder does not begin construction within one (1) year from the date of this Agreement. At least thirty (30) days before the date, Builder may issue a written request to Utility to extend this Agreement for a period of up to six months. The request for extension must set forth with particularity the circumstances requiring the extension, state Builder's new proposed construction start date, and include a reasonable schedule to meet that date. Utility's approval of the request for extension will not be unreasonably withheld.

13. Builder estimates a construction start date of March 26, 2007 and a construction completion date of May 4, 2007.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of this 22 day of February, 2007.

BUILDER:

SIERRA PACIFIC HOMES LLC

By:
Name: John Agresti
Its: President

UTILITY:

DIABLO VILLAGE WATER COMPANY, an Arizona corporation

By:
Name: Robin M. Thim
Its: President

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me this 22 day of February, 2007, by _____, the President of Sierra Pacific Homes, LLC.

Notary Nancy Blandford.
My Commission Expires

Nancy Susan Blandford
Notary Public - Arizona
Pima County
My Commission Expires
October 23, 2010

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me this 26th day of February, 2007, by Robin M Thim, the President of DIABLO VILLAGE WATER COMPANY, an Arizona corporation, on behalf of the corporation.

Notary
My Commission Expires

Sierra Pacific

EXHIBIT A

LOTS CURRENTLY OWNED BY BUILDER

Builder has purchased lot numbers 310-319, 369-408, 431-455, 478-495, 511-540, 549-570 in the community commonly known as Sonoran Ranch Estates II, (Book 60, Page 47), Pima County, Tucson, Arizona.

Sonoran Ranch Estates 2

NAC Construction

8359 W. Tangerine Rd.
Marana, AZ 85653
Contact: Allen Sheppard
Phone: 520-682-2855
Fax: 520-682-3440

Quote To: Sierra Pacific Homes
2855 W. Master Pieces Dr.
Tucson, AZ 85741-3789

Attention: Mike Gardner
Phone: 795-1978
Fax: 795-3923

Job Name: Sonoran Ranch Estates 2
Date of Plans:
Plan No.:
Revision Date:
Estimate No.:
Date of Proposal: November 22, 2006

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	AMOUNT	
	SWPPP					
10	Gravel Entrance	7.00	EA	2,500.00	17,500.00	
20	Erosion Control (Straw Bales)	25.00	EA	30.00	750.00	
	Subtotal SWPPP				**$18,250.00**	
	GRADING					
30	Removal of AC Pavement	55.00	SY	27.00	1,485.00	
40	Removal of Concrete Curb	182.00	LF	8.00	1,456.00	
50	Sawcut AC	350.00	LF	2.00	700.00	
60	Export (Budget)	500.00	CY	10.00	5,000.00	
70	Import Borrow (Budget)	500.00	CY	32.00	16,000.00	
80	Parkway Grading	28,574.00	SY	0.75	21,430.50	
	Subtotal Grading				**$46,071.50**	
	PAVING					
90	Subgrade Prep	13,204.00	SY	1.15	15,184.60	Paving 231,73
100	Aggr Base Course (4")	13,204.00	SY	5.15	68,000.60	
110	AC No. (2 1/2")	13,204.00	SY	11.25	148,545.00	
120	Street Signs(1 post, 2 signs)	13.00	EA	900.00	11,700.00	Signs 14,18
130	Stop Signs	8.00	EA	60.00	480.00	
140	Stop Bars	8.00	EA	250.00	2,000.00	
150	Adjust MH(SWR) F&C to Grade	12.00	EA	500.00	6,000.00	ADJ 13,37
160	Adjust Water Valve F&C to Grade	15.00	EA	275.00	4,125.00	
170	Install Survey Monuments	13.00	EA	250.00	3,250.00	
	Subtotal Paving				**$259,285.20**	
	STORM DRAIN					
180	Slope Grading	1,000.00	SY	3.00	3,000.00	Drain
190	Riprap (Dumped) (12")	1,000.00	SF	18.00	18,000.00	Rip Rap
200	Irrigation Sleeving (4") Estimate	200.00	LF	10.00	2,000.00	Drain

Drain 5K

Received Time Nov. 22. 11:47AM

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	Subtotal Storm Drain				**$23,000.00**
	SEWER				
210	HCS Sewer (PVC) 4"	145.00	EA	1,210.00	175,450.00
220	Sewer (PVC) 8"	3,624.00	LF	43.00	155,832.00
230	Manhole (48")	12.00	EA	3,800.00	45,600.00
	Subtotal Sewer				**$376,882.00**
	WATER				
240	Water (PVC) 6"	4,250.00	LF	33.00	140,250.00
250	Water (DIP) 6"	90.00	LF	63.50	5,715.00
260	Sgl Service 3/4" (HDPE) (27 Each)	550.00	LF	46.00	25,300.00
270	Dbl Service 1" (HDPE) (55 each)	1,200.00	LF	53.50	64,200.00
280	Fire Hydrant	7.00	EA	2,900.00	20,300.00
290	Valve (6")	15.00	EA	770.00	11,550.00
300	Tie into Existing Main	7.00	EA	1,800.00	12,600.00
310	Air Release Valve	6.00	EA	1,200.00	7,200.00
	Subtotal Water				**$287,115.00**
	SITE CONCRETE				
320	Wedge Curb	8,182.00	LF	13.75	112,502.50
330	Curb Trans	20.00	LF	100.00	2,000.00
340	Vertical Curb	129.00	LF	31.50	4,063.50
350	Concrete Sidewalk (4" Thk, 4 ft. wide)	3,822.00	SF	5.50	21,021.00
360	Access Ramp	9.00	EA	1,100.00	9,900.00
370	Access Ramp Mid-Block	1.00	EA	1,215.00	1,215.00
	Sub Total Site Concrete				**$150,702.00**
	JOINT UTILITIES				
380	Joint Utility Trench (Exc/Bkfill)	6,612.00	LF	5.60	37,027.20
390	Grade & Set Sub-Surface Pedestals	17.00	EA	400.00	6,800.00
400	2 1/2" Trico Conduit	13,550.00	LF	3.00	40,650.00
410	3" Trico Conduit	3,895.00	LF	4.32	16,826.40
	Subtotal Joint Utilities				**$101,303.60**
GRAND TOTAL					**$1,262,609.30**

NOTES:

Received Time Nov. 22. 11:47AM

Sierra Pacific Homes at Sonoran Ranch 2

Sierra Pacific lots:

lot number (from / to)		# of lots
310	319	10
369	408	40
431	455	25
478	495	18
511	540	30
549	570	22
	total	145

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY
TECHNICAL SERVICES DIVISION
150 West Congress, 1st Floor, Tucson, Arizona 85701-1317
Telephone: 740-3340

CERTIFICATE OF APPROVAL TO CONSTRUCT
Water Facilities

System Name: DIABLO VILLAGE WATER COMPANY System No.: 10-357

Project Owner: DIABLO VILLAGE WATER COMPANY

Address: P.O. BOX 13145, TUCSON, ARIZONA 85732-3145

Project Location: T-15-S, R-12-E, SECTION 8 County: PIMA

Description: WATER EXTENION TO SERVE SONORAN RANCH ESTATES II, LOTS 213-337.

Approval to construct the above, described facilities as represented in the approved plan on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

AFTER COMPLETION OF CONSTRUCTION, A PROFESSIONAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA SHALL COMPLETE A FINAL INSPECTION AND SUBMIT AN ENGINEER'S CERTIFICATE OF COMPLETION, ACCURATE "AS BUILT" PLANS, PRESSURE TEST RESULTS, CHLORINATION RESULTS AND MICROBIOLOGICAL TESTING RESULTS TO PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY IN ORDER TO OBTAIN AN APPROVAL OF CONSTRUCTION. THOSE PLANS MUST BE CLEAR BLUELINE PRINTS SUITABLE FOR MICROFILMING AND SHALL CLEARLY AND ADEQUATELY REPRESENT THE FACILITIES AS THEY ARE CONSTRUCTED.

The State law, A.R.S. 49-353, requires that construction of the project must be in accordance with the rules and regulations of the Arizona Department of Environmental Quality.

If this project includes trenching, land stripping, earthmoving or road construction, an air quality activity permit may be required pursuant to P. C. C. Title 17.12.470. For inquires, regarding air quality activity permits, please call 740-3957.

If construction has not started within one year of the date of this issue, this certificate will be void and a written extension of time shall be required.

Date Approved: March 27, 2006

Ursula Kramer,
Director

By: _____
Richard Grimaldi
Deputy Director

By: _____
Mike Redmond, R.S.
Environmental Planning Mgr.

Cc: P-File No. PO09306
P-ADEQ, SRO
Diablo Village Water Co.
Engineer- Castro Engineering

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SMB SONOR003
GMB
JLL
Kevin T

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY
TECHNICAL REVIEW UNIT
150 West Congress, 1st Floor, Tucson, Arizona 85701-1317
Telephone: 740-3340

CERTIFICATE OF APPROVAL TO CONSTRUCT
Water Facilities

System Name: DIABLO VILLAGE WATER COMPANY System No.: 10-357

Project Owner: DIABLO VILLAGE WATER COMPANY

Address: P.O. BOX 13145, TUCSON, ARIZONA 85732-3145

Project Location: T-15-S, R-12-E, SECTION 8 County: PIMA

Description: WATER EXTENSION TO SERVE SONORAN RANCH ESTATES II, LOTS 369-408, 431-455, 478-495, 511-540, AND 549-570.

Approval to construct the above, described facilities as represented in the approved plan on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

AFTER COMPLETION OF CONSTRUCTION, A PROFESSIONAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA SHALL COMPLETE A FINAL INSPECTION AND SUBMIT AN ENGINEER'S CERTIFICATE OF COMPLETION, ACCURATE "AS BUILT" PLANS, PRESSURE TEST RESULTS, CHLORINATION RESULTS AND MICROBIOLOGICAL TESTING RESULTS TO PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY IN ORDER TO OBTAIN AN APPROVAL OF CONSTRUCTION. THOSE PLANS MUST BE CLEAR BLUELINE PRINTS SUITABLE FOR MICROFILMING AND SHALL CLEARLY AND ADEQUATELY REPRESENT THE FACILITIES AS THEY ARE CONSTRUCTED.

The State law, A.R.S. 49-353, requires that construction of the project must be in accordance with the rules and regulations of the Arizona Department of Environmental Quality.

If this project includes trenching, land stripping, earthmoving or road construction, an air quality activity permit may be required pursuant to P. C. C. Title 17.12.470. For inquires, regarding air quality activity permits, please call 740-3957.

If construction has not started within one year of the date of this issue, this certificate will be void and a written extension of time shall be required.

Date Approved: June 24, 2006

Ursula Kramer,
Director

By: M. Redmond
Mike Redmond, R.S.
Water/Waste Program Mgr.

By: David Amash
David Amash, P.E.
Civil Engineer

Cc: P-File No. P034206
P-ADEQ, SRO
Diablo Village Water Co.
Engineer- Castro Engineering

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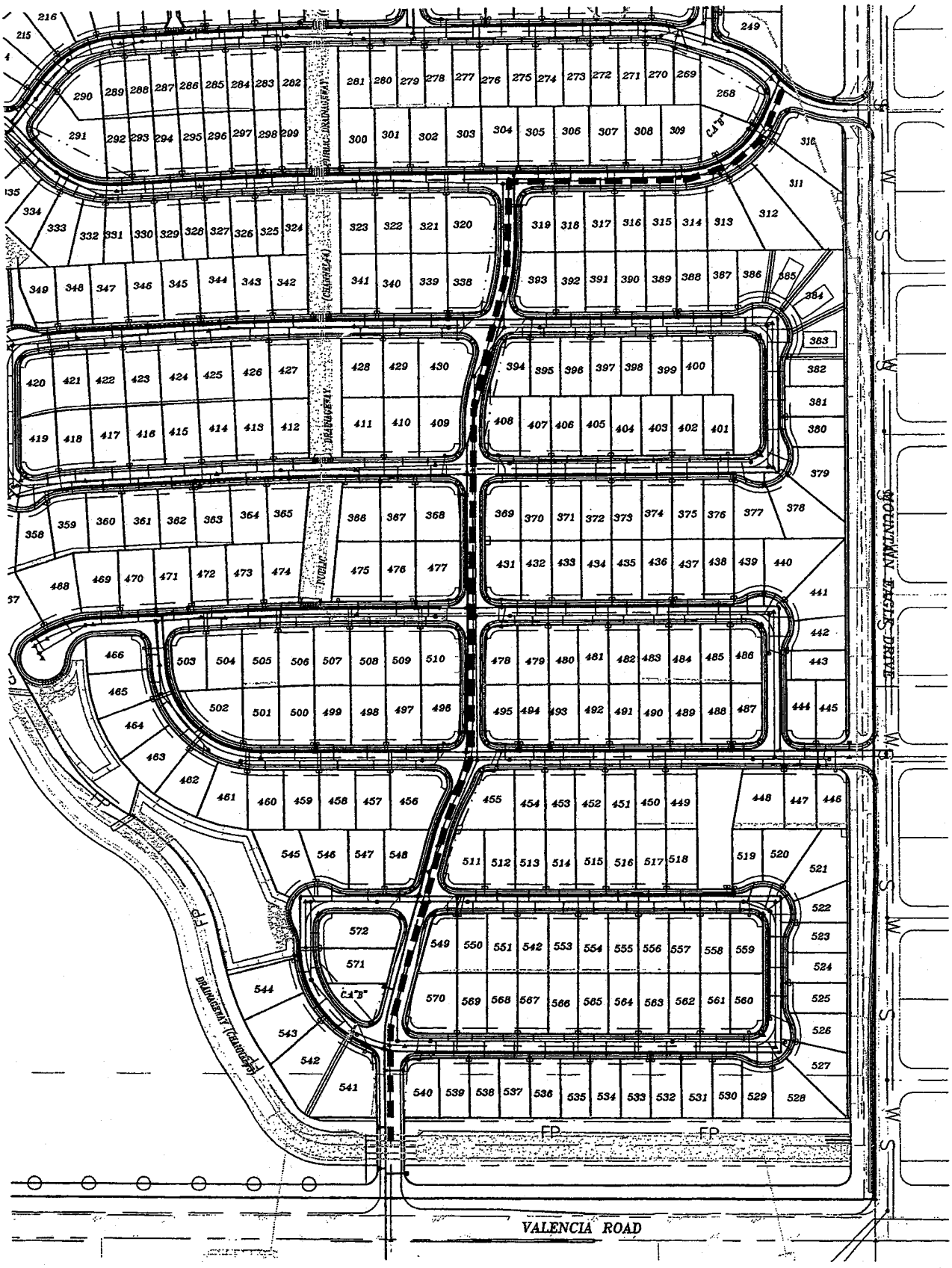


BOUNDARY LINE

SIERRA PACIFIC LOTS 310-319, 369-408, 431-455, 478-495, 511-540, 549-570

Castro Engineering corp
consulting engineers and surveyors
3580 WEST INA ROAD SUITE 200
TUCSON, ARIZONA 85741
(520)293-2550 (520)293-2115 (fax)

SONORAN RANCH ESTATES II
SIERRA PACIFIC LOTS

CASTRO JOB No. SONOR003

BOUNDARY LINE

Castro Engineering corp
consulting engineers and surveyors
3580 WEST INA ROAD SUITE 200
TUCSON, ARIZONA 85741
(520)293-2550 (520)293-2115 (fax)

SONORAN RANCH ESTATES II

SIERRA PACIFIC LOTS

CASTRO JOB No SONOR003

WATER USE DATA SHEET

NAME OF COMPANY →	Diablo Village Water Company
ADEQ Public Water System No. →	10-357

MONTH/YEAR (Last 13 Months	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)
Jan 2007	866	4650
Dec 2006	871	4636
NOV 2006	864	6155
Oct 2006	871	6243
Sept 2006	865	6176
Aug 2006	863	6038
July 2006	878	6868
June 2006	866	7476
May 2006	869	9331
April 2006	838	9102
March 2006	829	6616
Feb 2006	813	8046
Jan 2006	782	6655

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
200,000	1	55801496	400

Other Water Sources in Gallons per Minute →	GPM 500
Fire Hydrants on System →	(Yes) No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	87,992

WATER USE DATA SHEET

NAME OF COMPANY →	Diablo Village Water Company
ADEQ Public Water System No. →	10-357

MONTH/YEAR (Last 13 Months	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)
Sept 2006	865	6176
Aug 2006	863	6038
July 2006	878	6868
June 2006	866	7476
May 2006	869	9331
April 2006	838	9,102
March 2006	829	6,616
Feb 2006	813	8,046
Jan 2006	782	6655
Dec 2005	756	4737
Nov 2005	734	2927
Oct 2005	720	3355
Sept 2005	700	3500

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
200,000	1	55801496	400

Other Water Sources in Gallons per Minute →	GPM 500
Fire Hydrants on System →	(Yes) No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	80827

Exhibit "B"
Description of Assets

Real Property – See **Exhibit "G"**

Improvements – See **Exhibit "B-1"**

Equipment – See **Exhibit "F"**

Inventory – None

Contract Rights – See **Exhibit "A"**

Licenses – See **Exhibit "B-2"**

Certificates – See **Exhibit "C"**

Warranties and Guarantees – None

Records – List of Categories – See **Exhibit "B-3"**

Exhibit "B-1"
Improvements

Diablo Village Water Company

WELL INFORMATION	
Company	Thim Utility
Well number	Diablo Well #1
Well name	Same Poe 1
Well address	7687 W. Valencia
ADWR number	55 801496
ADEQ number	10357
Corp. Commission #	
Electric meter number	
Electric account number	
Electric phase and voltage	3 ph 460V
Storage tank capacity	200,000 gallon
Hydropneumatic tank size	(2) 5000 gal. ea. tanks
Water meter size	6"
Well motor horsepower	75 hp
Well pump capacity (GPM@PSI)	450 gpm
Pressure pump capacity (GMP@PSI)	(4) pumps with total of 1960 gpm
Pressure motor horsepower	20 hp each
Casing size	12"
Water level	465' 4/2008 475' - 2007
Well depth	700' Baled on 4/2008 with almost no fill
Pump depth	600'
Pump piping sizing	6a"
Connected to well number	Well #2 Diablo

# of connections	¾" –	1" -	1 ½" -	2" -

Population served	
# of single dwellings served	Total of 984 connections at Diablo
# of dbl/or multi. service dwellings	
# of businesses served	
Date updated	April of 2008

WELL INFORMATION	
Company	Diablo Village
Well number	#2
Well name	DV2
Well address	8595 W. Raven Ct.
ADWR number	55-208091
ADEQ number	10357 POE 2
Corp. Commission #	
Electric meter number	
Electric account number	
Electric phase and voltage	
Storage tank capacity	310,000 gal.
Hydropneumatic tank size	When installed… (1) 5000 gal.
Water meter size	When installed… 6”
Well motor horsepower	When installed… 100 gpm
Well pump capacity (GPM@PSI)	When installed… 600 gpm
Pressure pump capacity (GMP@PSI)	1960 gpm @ 40 psi / 1785 gpm @ 50 psi / 1465 gpm @ 70 psi
Pressure motor horsepower	(4) @ 20 hp each
Casing size	12”
Water level	450’
Well depth	810’
Pump depth	
Pump piping sizing	When installed… 6”
Connected to well number	DV1

# of connections	¾” –	1” -	1 ½” -	2” -

Population served	
# of single dwellings served	
# of dbl/or multi. service dwellings	
# of businesses served	
Date updated	

WELL INFORMATION	
Company	Thim Utility Co.
Well number	
Well name	Lazy "B"
Well address	
ADWR number	55 801291
ADEQ number	10218
Corp. Commission #	
Electric meter number	
Electric account number	
Electric phase and voltage	3 ph 230V
Storage tank capacity	Total: 11,000 gal. (1) 6000 gal (1) 5000 gal
Hydropneumatic tank size	2000 gal.
Water meter size	2"
Well motor horsepower	5 hp Grundfos 96405802
Well pump capacity (GPM@PSI)	26 gpm Franklin 25S50-26
Pressure pump capacity (GMP@PSI)	(5 hp) @ 55 gpm (1.5 hp) @ 18 gpm
Pressure motor horsepower	(1) 5 hp and (1) 1.5 hp
Casing size	8"
Water level	518' Measured when baled on 4/3/07
Well depth	596' baled out on 4/3/07
Pump depth	580' 27 pipe @ 21'
Pump piping sizing	1.5"
Connected to well number	**Stand alone**

# of connections	¾" –	1" -	1 ½" -	2" -

Population served	
# of single dwellings served	Total of 29 connections
# of dbl/or multi. service dwellings	
# of businesses served	n/a
Date updated	
Peak use	228,200 mo. 7500 gal day 300 hr.
Average customer use Arsenic Removal	8820 gal per month In place and operational 1/2008

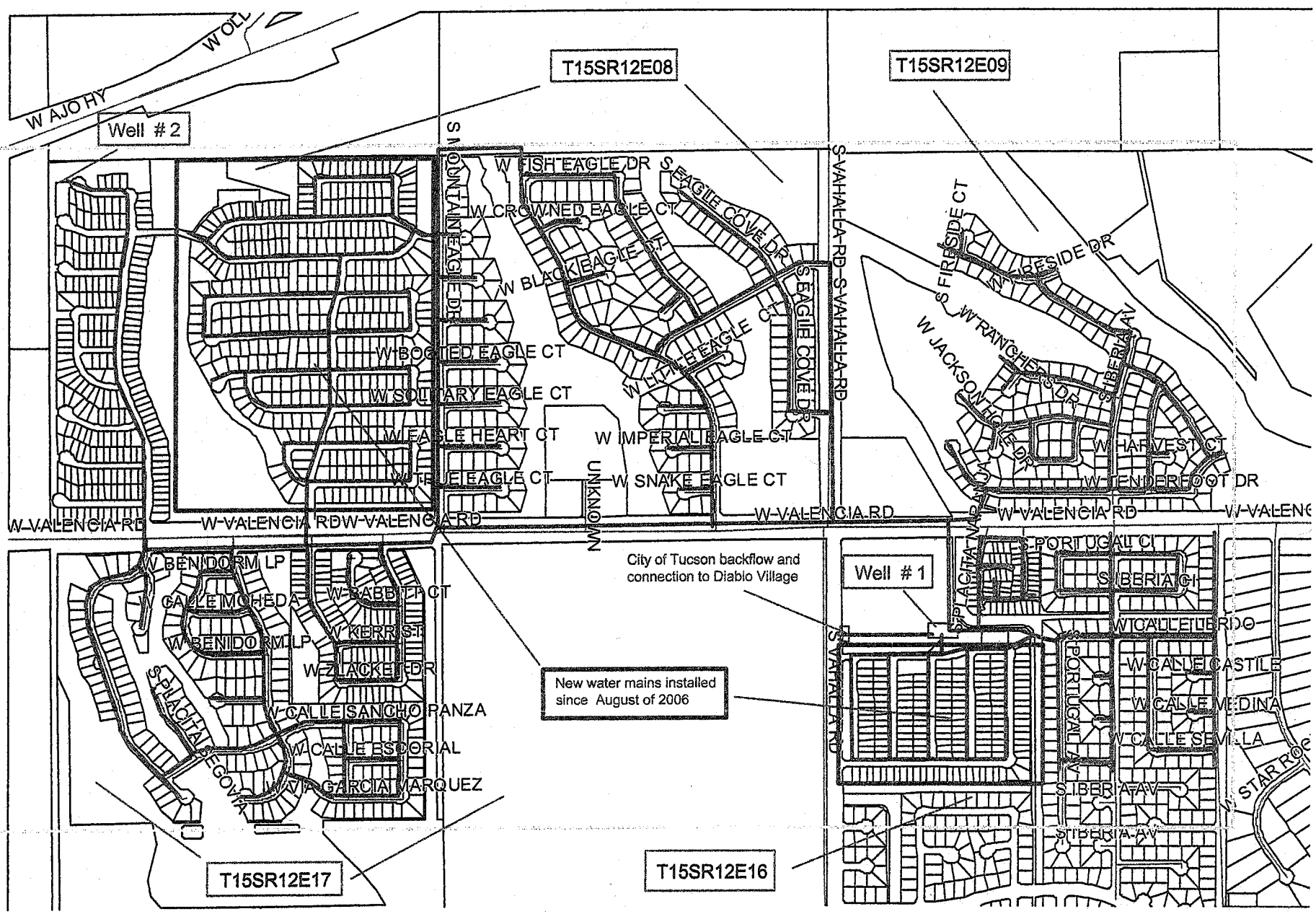
Diablo Village Water Co.

T15S R12E
Sections 8, 9, 16, 17

10357

June 2007

Current water mains within Diablo Village Water Co.



Diablo Village Water

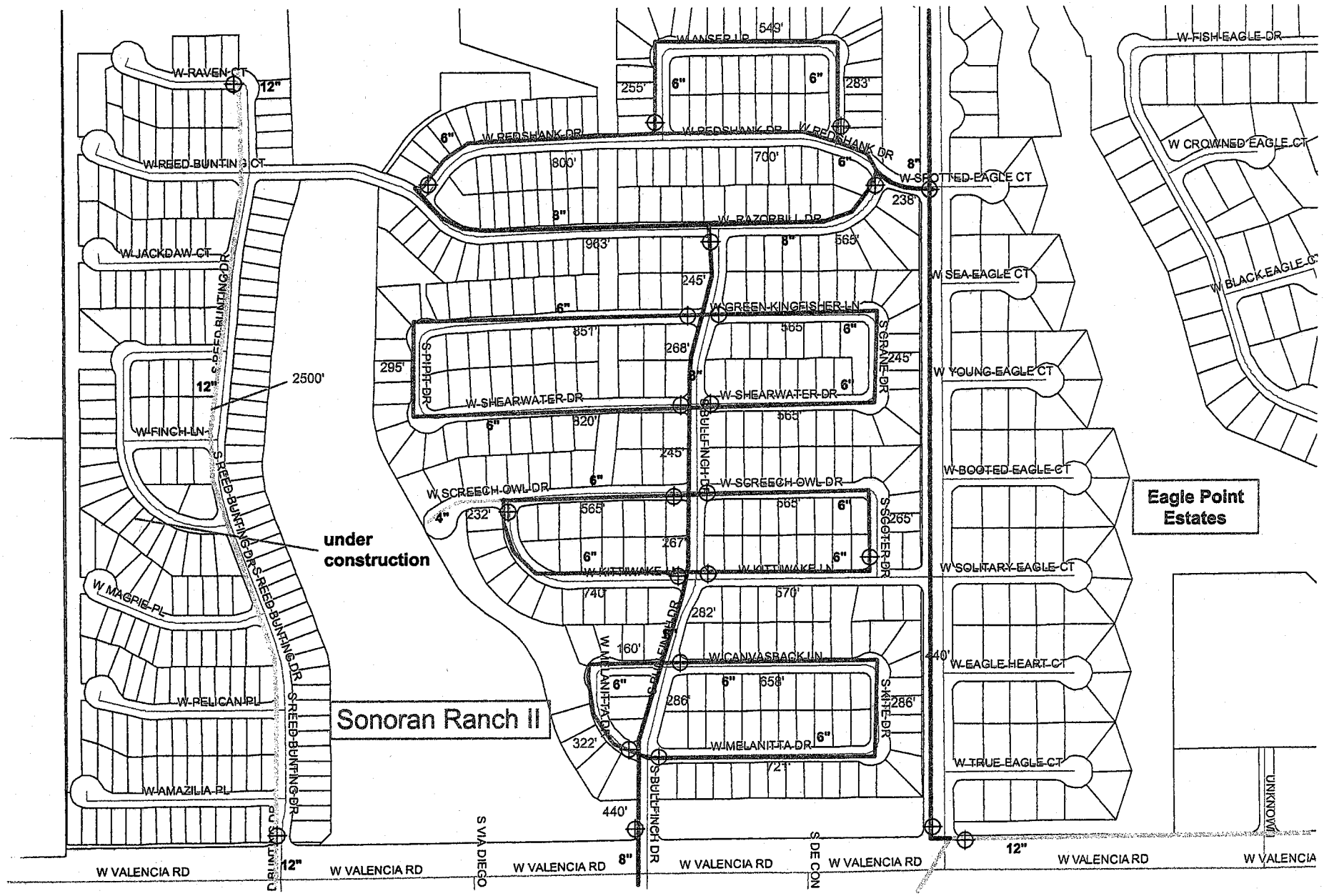
10357

June 2007

T15S R12E
Section 8

Ln ft...water mains...Sonoran Ranch II

12"...	2500'
8"...	3799'
6"...	10780'
4"...	232'



Diablo Village Water

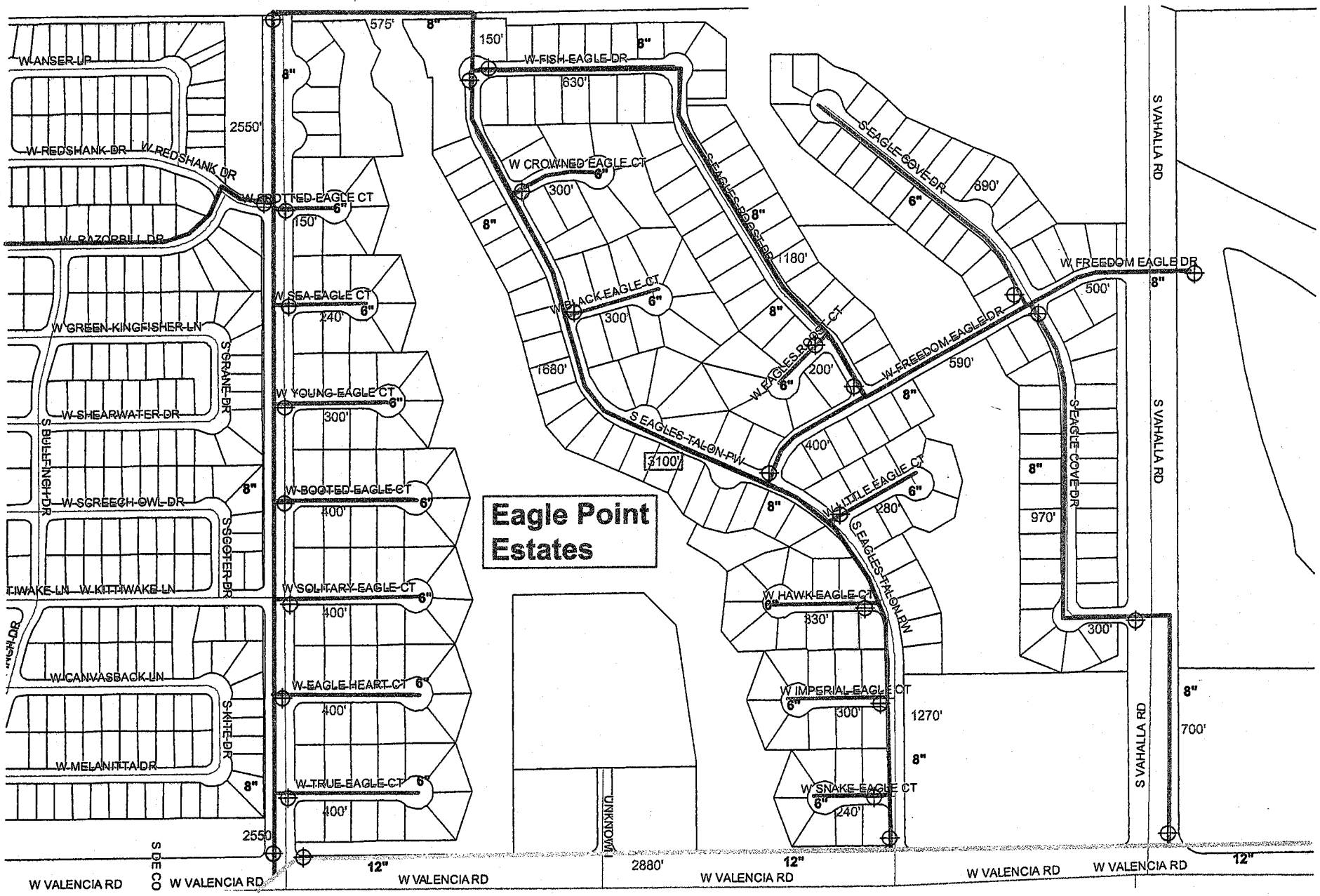
10357

June 2007

T15S R12E
Section 8

Ln. ft. of water line

12"	2880'
8"	11645'
6"	5130'



Diablo Village Water Co

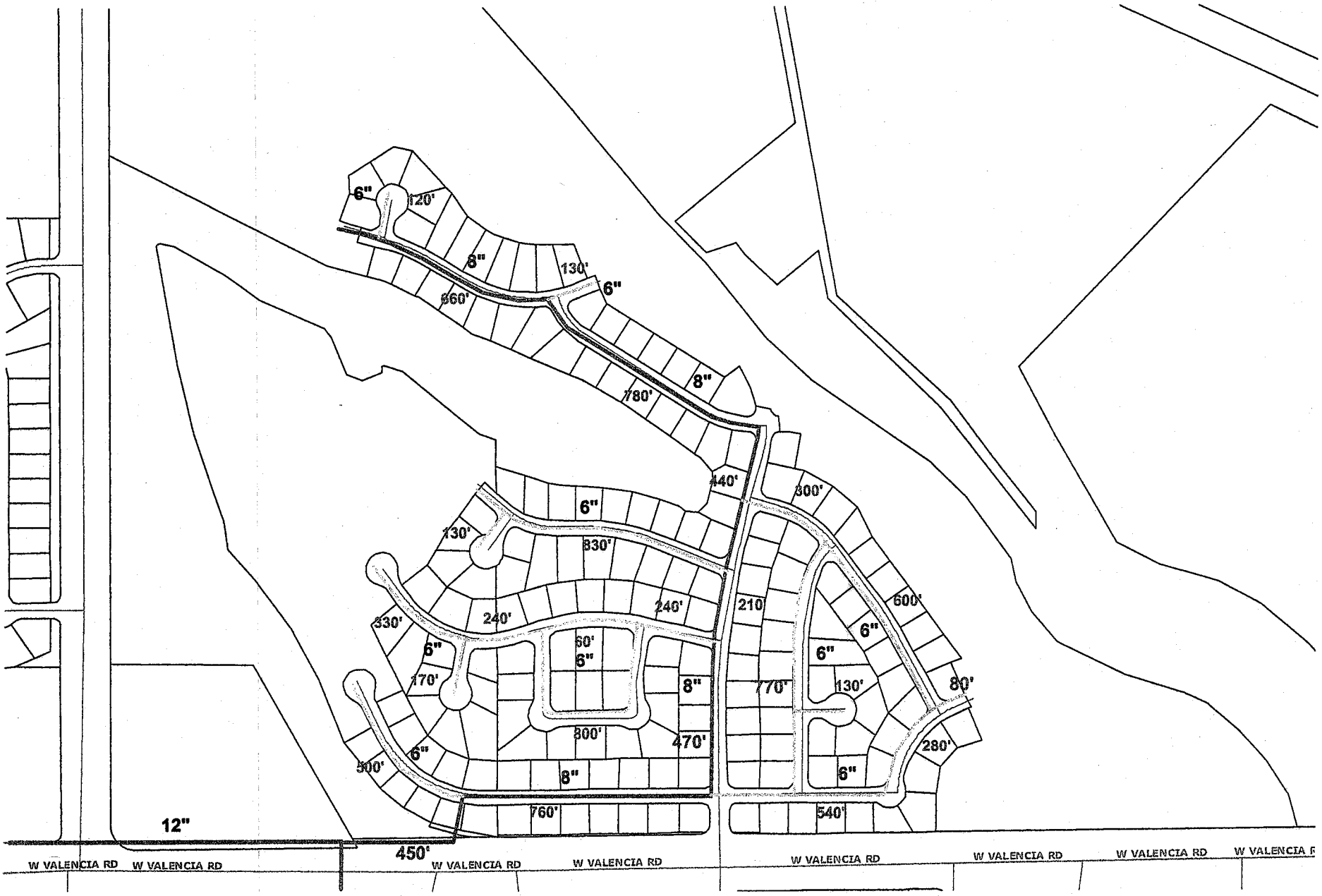
10357

June 2007

Ln ft of Water Line in Section 9

12"... 800'
8".... 3770'
6".... 6120'

T15S R12E
Section 9

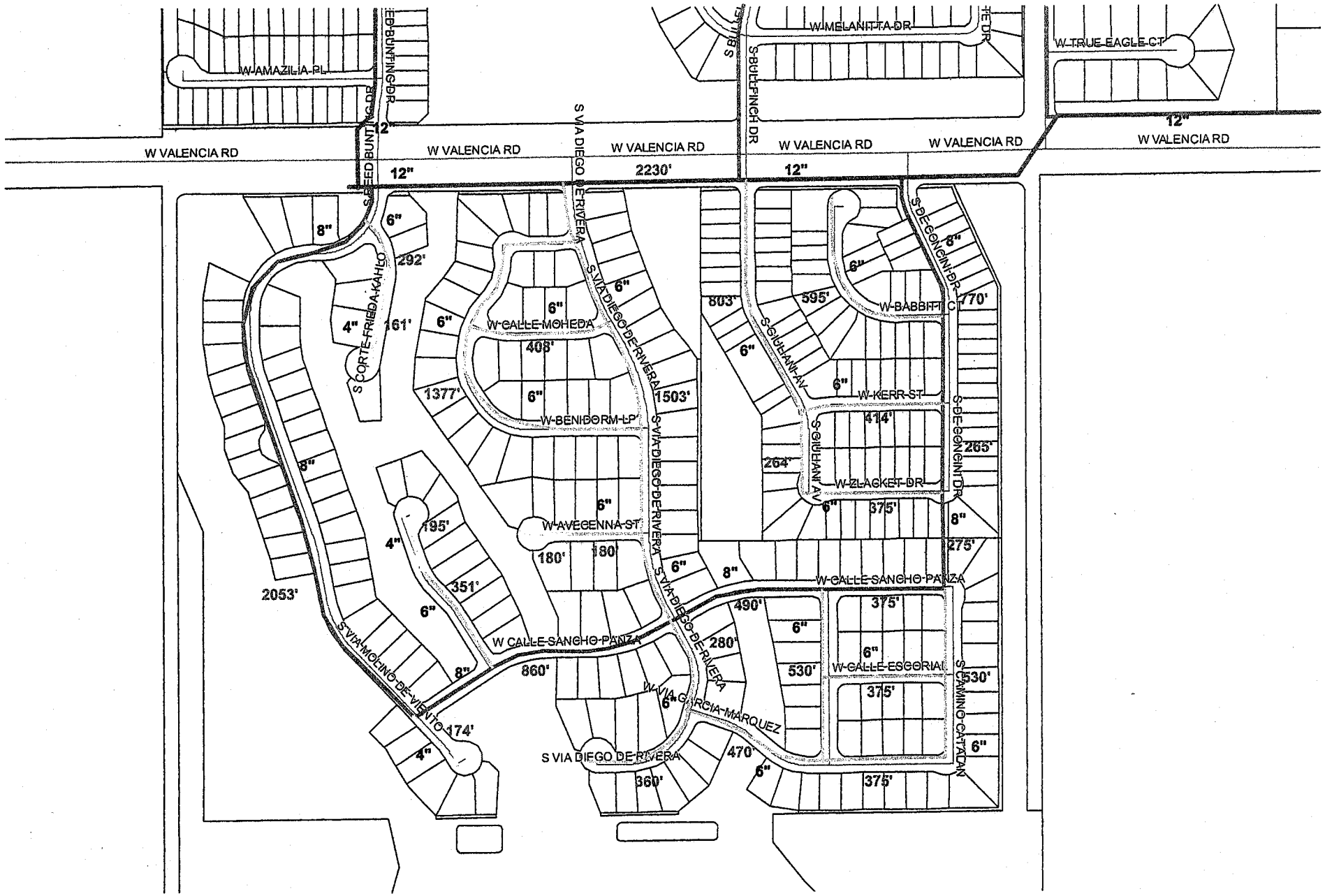


Diablo Village Water
10357
June 2007

T15S R12E
Section 17

Ln ft. Water Main Section 17

12"... 2230'
8"..... 5088'
6"..... 9482'
4"..... 530'



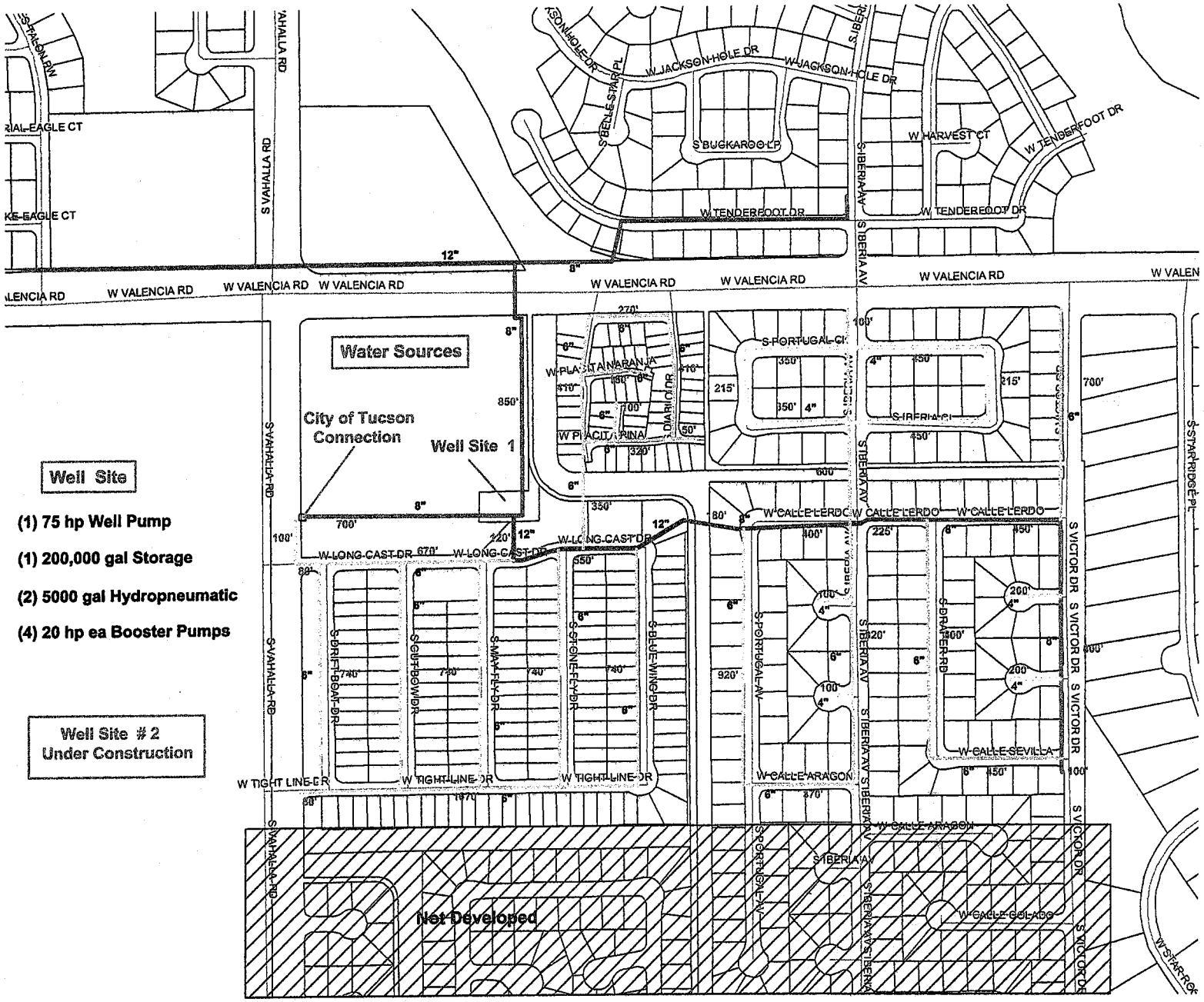
Diablo Village Water
10357

June 2007

T15S R12E
Section 16

Ln ft. Water Line in this Section

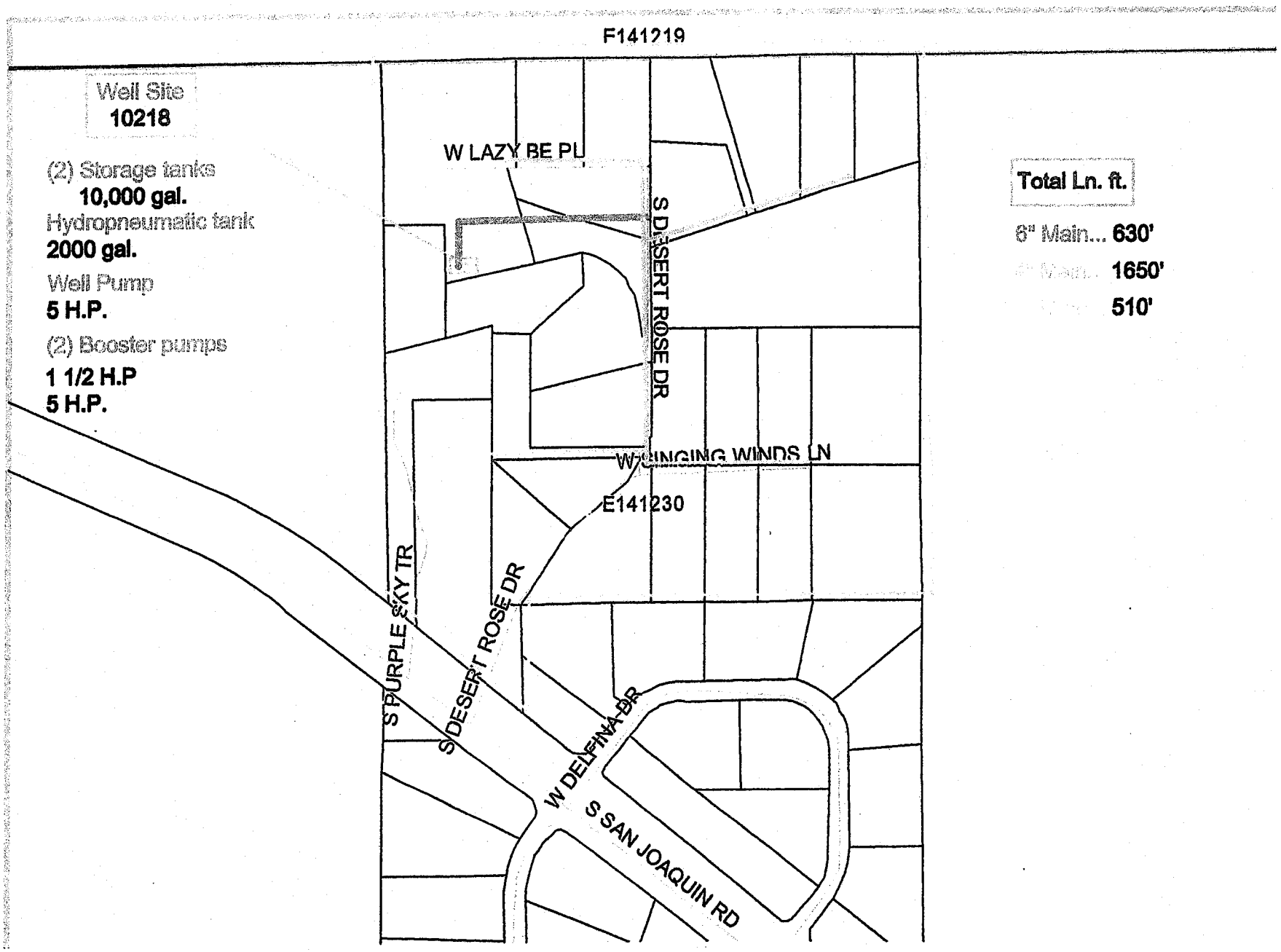
12"...	670'
8"	3480'
6"	11910'
4"	2200'



Thim Utility
Lazy "B"

T14S R12E
Section 30

Lazy "B" water mains over (4")
Within the boundry



Total Ln. ft.	
6" Main...	630'
[illegible] Main...	1650'
[illegible]	510'

Exhibit "B-1"
Improvements

Thim Utility Co.

WELL INFORMATION	
Company	Thim Utility Co.
Well number	#21 not used as system pump 2/98
Well name	Same
Well address	10027 Old Nogales Hwy.
ADWR number	55-618411
ADEQ number	10046
Corp. Commission #	
Electric meter number	HB- 783
Electric account number	977 208 2009
Electric phase and voltage	3 ph 230V
Storage tank capacity	n/a
Hydropneumatic tank size	n/a
Water meter size	2"
Well motor horsepower	10 hp
Well pump capacity (GPM@PSI)	90 gpm
Pressure pump capacity (GMP@PSI)	n/a
Pressure motor horsepower	n/a
Casing size	8"
Water level	110' drawdown to 114'
Well depth	247'
Pump depth	237' bottom of pump
Pump piping sizing	2.5"
Connected to well number	#22 and #23

# of connections	¾" –	1" -	1 ½" -	2" -

Population served	
# of single dwellings served	
# of dbl/or multi. service dwellings	
# of businesses served	
Date updated	Sept. 5, 2002

WELL INFORMATION	
Company	Thim Utility Co.
Well number	#22 (north well)
Well name	Same
Well address	10027 Old Nogales Hwy.
ADWR number	55 524181
ADEQ number	10046
Corp. Commission #	
Electric meter number	DH 2535
Electric account number	10887282009
Electric phase and voltage	3 ph 230V
Storage tank capacity	55,000 gal. total (1) 25,000 gal (3) 10,000 gal
Hydropneumatic tank size	(1) 5000 gal. (1) 3000 gal.
Water meter size	3"
Well motor horsepower	15 hp
Well pump capacity (GPM@PSI)	Rated @ 150 gpm
Pressure pump capacity (GMP@PSI)	(1) 3 hp CR8 @ 40 gpm (2) 5 hp flat @ 55 gpm ea. (1) 7.5 hp CR30 @ 150 gpm
Pressure motor horsepower	Lead 3 hp comes on @55 psi (2) 5 hp comes on @50 psi and the 7.5 hp comes on at 45 psi
Casing size	8"
Water level	108' on 1/16/08 126' on 10/22/02
Well depth	440' Checked on 10/22/02
Pump depth	336' (16 sec @ 21' ea)
Pump piping sizing	3"
Connected to well number	#21 and #23

# of connections	¾" –	1" -	1 ½" -	2" -

Population served	
# of single dwellings served	Total of 312 connections for E and T
# of dbl/or multi. service dwellings	(3) trailer parks
# of businesses served	(1) neighborhood store
Date updated	Jan. 16, 2008

WELL INFORMATION	
Company	Thim Utility Co.
Well number	Well # 23
Well name	E and T south well
Well address	10311 S. Summit Cove
ADWR number	55 599662
ADEQ number	10046 POE #2
Corp. Commission #	
Electric meter number	
Electric account number	
Electric phase and voltage	Single phase 230V converted to 3 phase
Storage tank capacity	n/a
Hydropneumatic tank size	85 gallon bladder ASME approved
Water meter size	3"
Well motor horsepower	15 hp with #4 wire 0-120 Pressure Transducer variable speed Danfos VLT 8032 Control
Well pump capacity (GPM@PSI)	150 gpm (150S150-B) Grundfos
Pressure pump capacity (GMP@PSI)	n/a
Pressure motor horsepower	n/a
Casing size	8"
Water level	83' on 12/2007 110' on 9/2006
Well depth	400'
Pump depth	360'
Pump piping sizing	3"
Connected to well number	Well #22

# of connections	¾" –	1" -	1 ½" -	2" -

Population served	Serves the southside of Summit Rd. both sides of Old Nogales Hwy
# of single dwellings served	Total of 312 connections at E and T
# of dbl/or multi. service dwellings	
# of businesses served	
Date updated	12/ 2007
Well Install	Drilled 9/2003

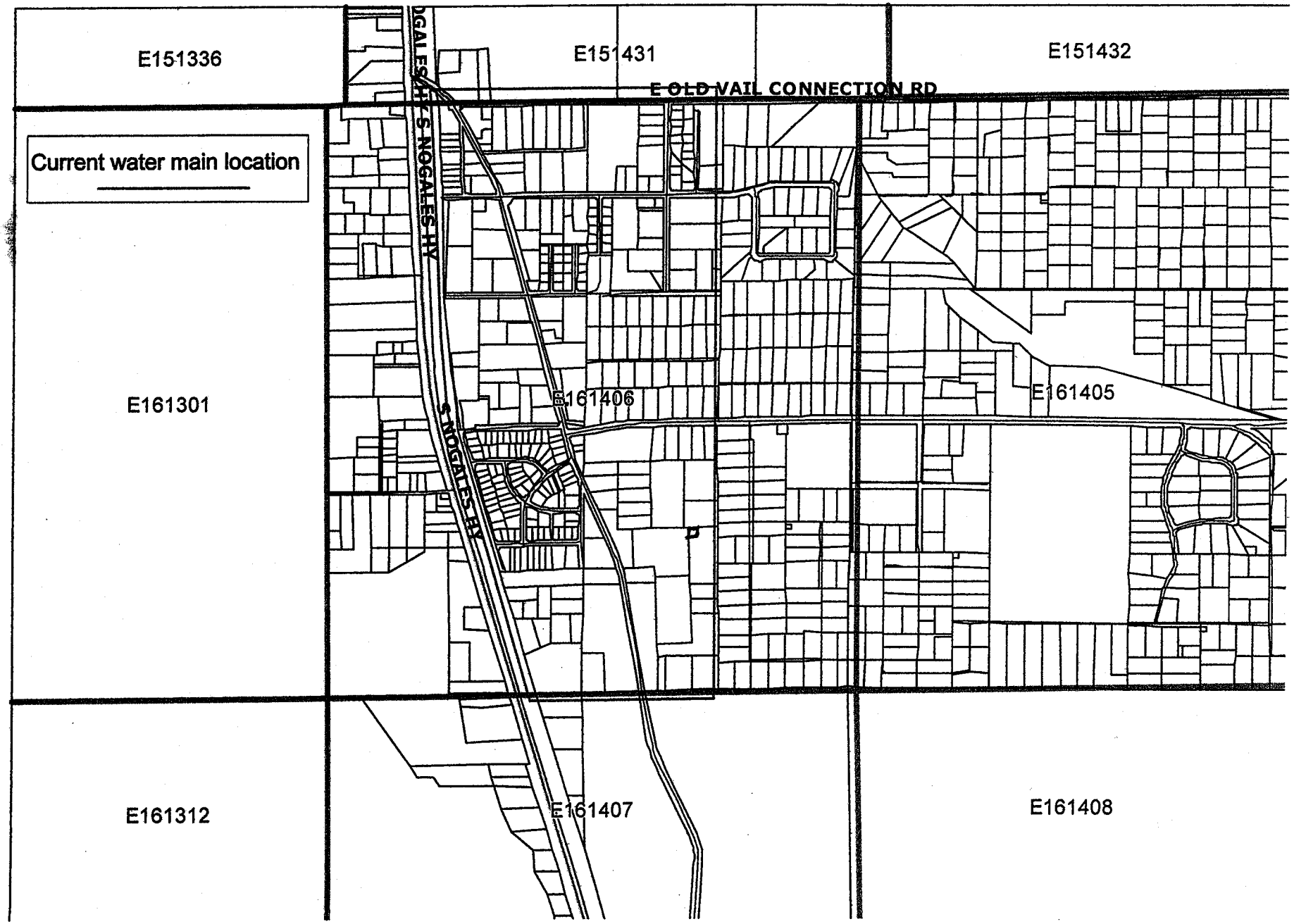
Thim Utility Company
E and T

July 2007

T16S R14E
Section 6

Total Ln. ft. of water mains in "E and T"

8" Main... 530'
6" Main... 8110'
4" Main...18,715'
3" Main... 2540'
2.5" line... 3275'



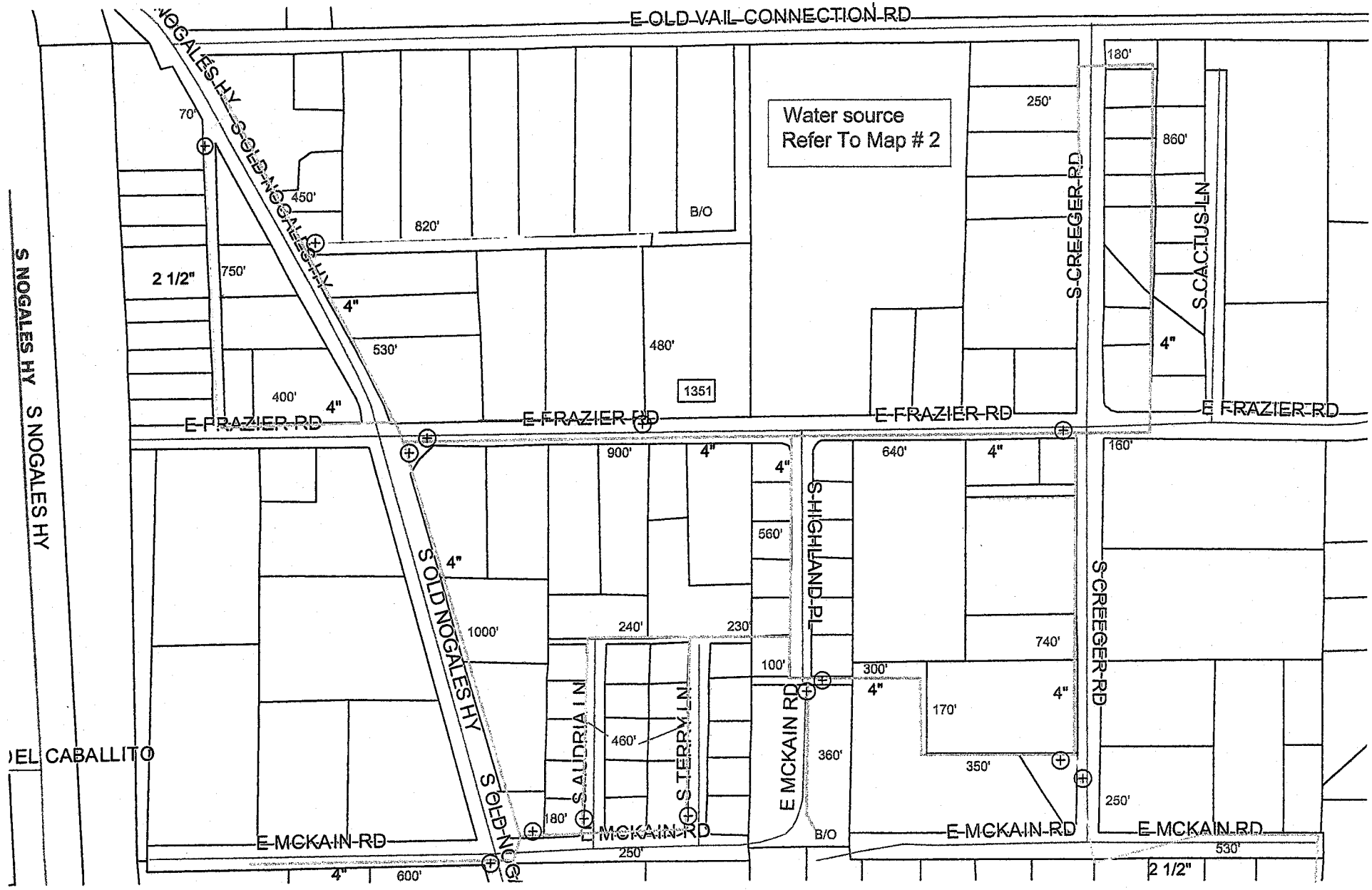
Ln. ft. of water mains in Map # 1

4" Main... 10270'
1300'
2.5" Main... 1540'

Thim Utility Company
E and T (north)
Map # 1 of 3

T16S R14E
Section 6

July 2008

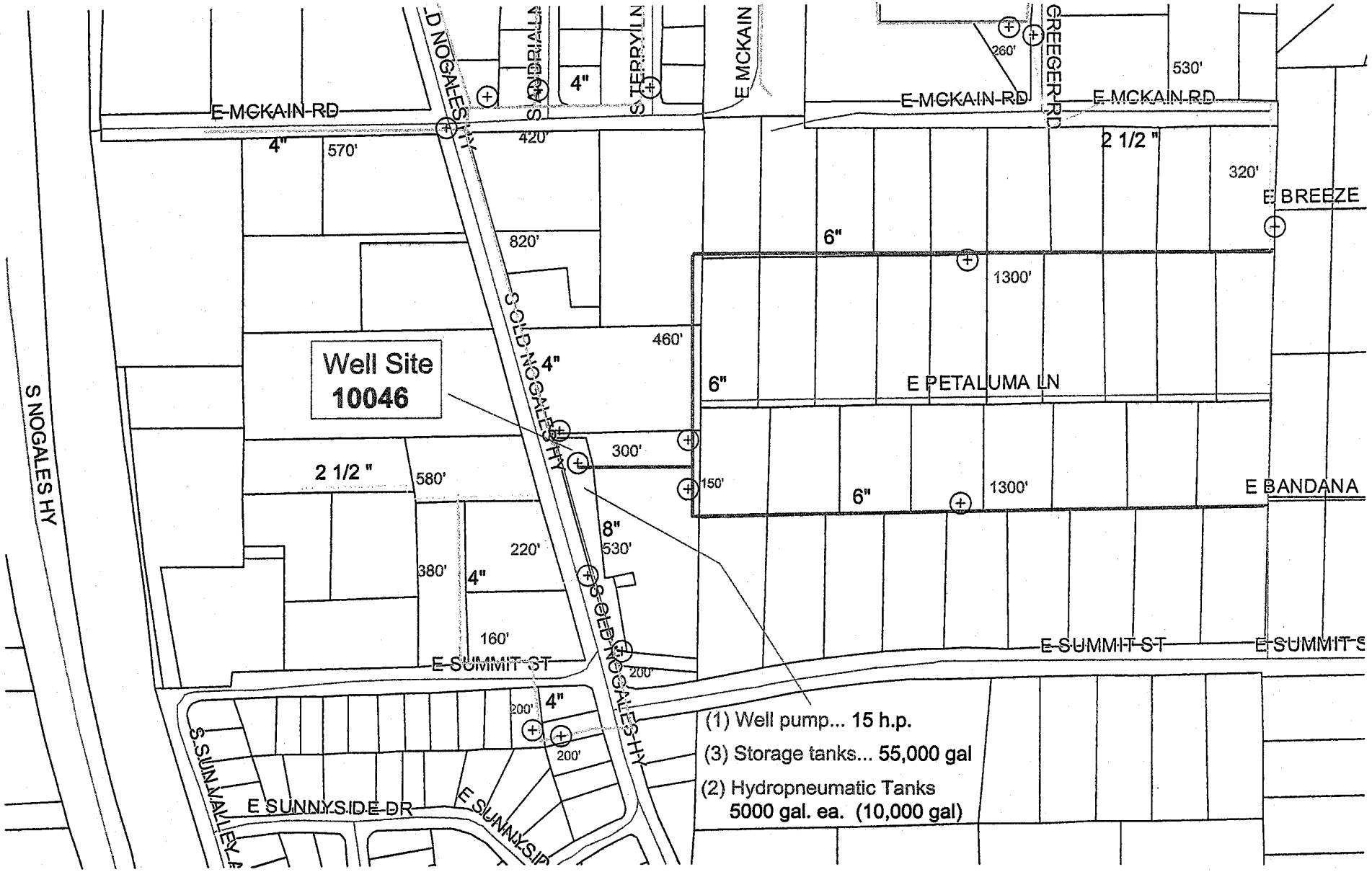


Ln. ft. of water mains in Map # 2	
8" Main... 530'	4" Main... 1360'
6" Main... 3500'	[illegible] 870'

Thim Utility Company
E and T (middle)
Map # 2 of 3

T16S R14E
Section 6

July 2008



Thim Utility Company
E and T (south)

Map #3 of 3

Ln. ft. of water mains in Map # 3	
6" Main... 2400'	530'
4" Main... 2480'	425'

T16S R14E
Section 6

July 2008

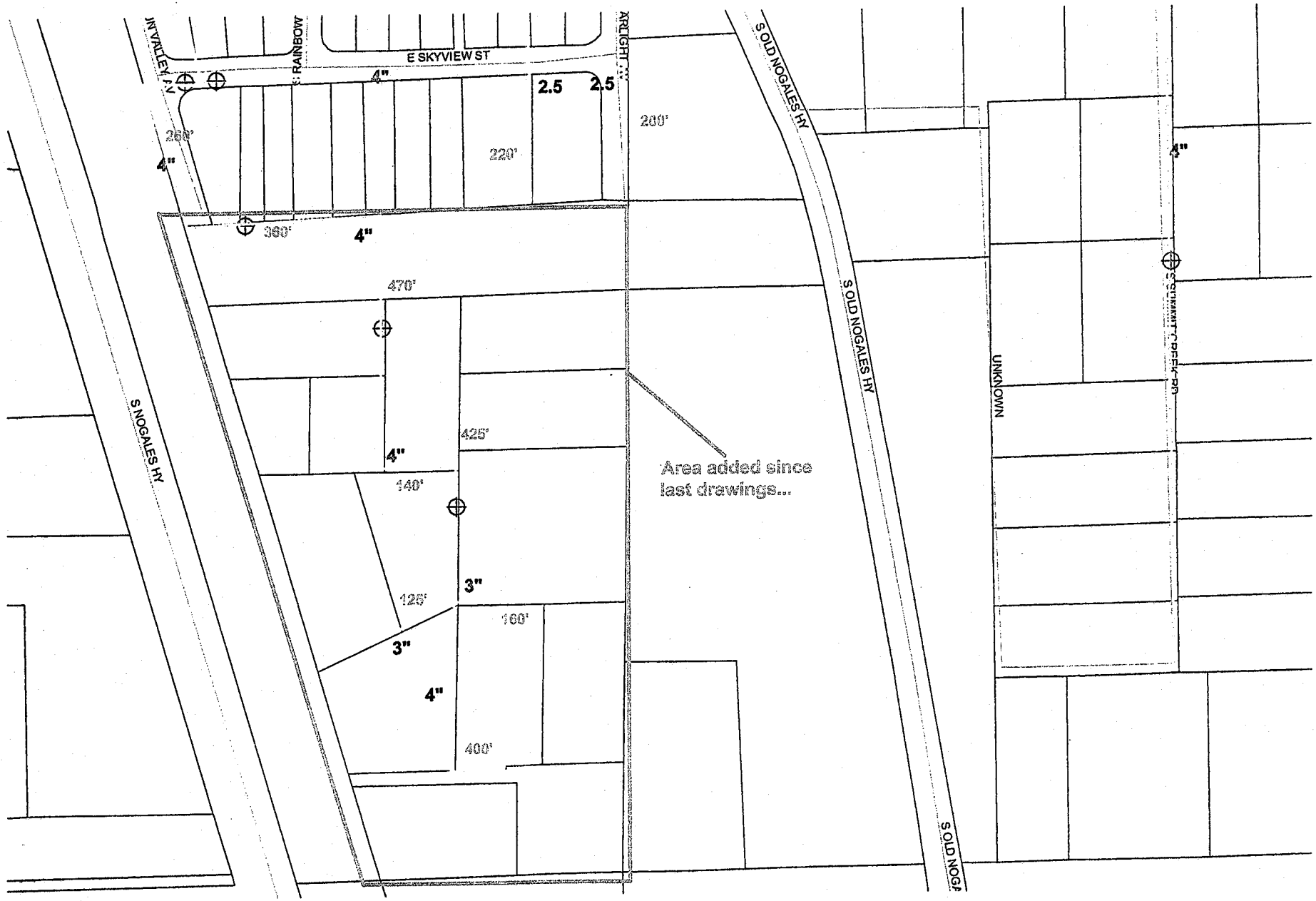
Thim Utility Company
E and T (south)
Map #4 of 4

10046

T16S R14E
Section 6

June 2007

Ln ft. of water line for map # 4
4" .....1630'
3" ..... 710'
2.5".... 440'



Thim Utility Company

Ln ft. of water line

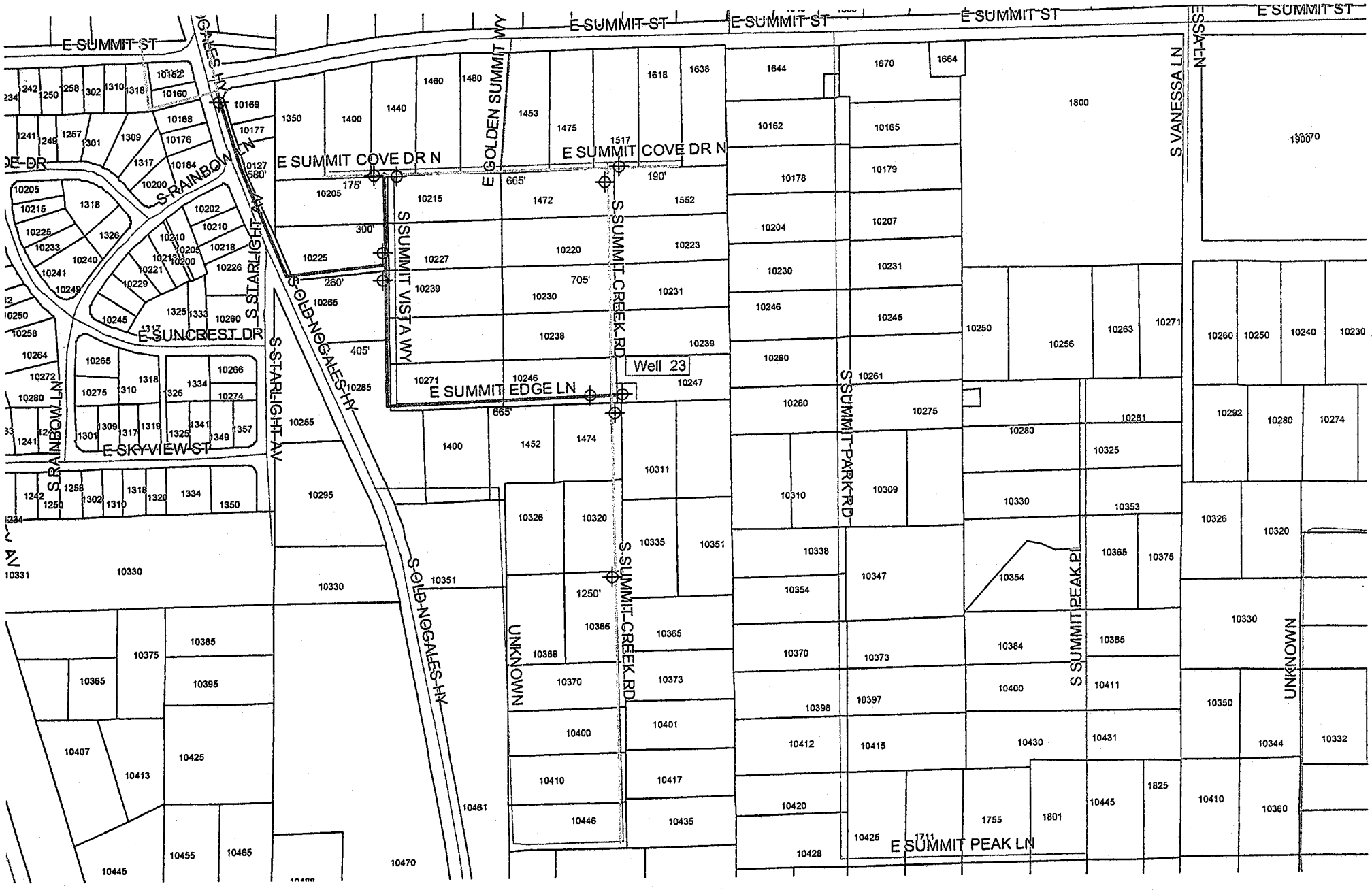
6" Main... 2210'

4" Main... 2985'

10046

June 2007

T16S R14E
Section 6



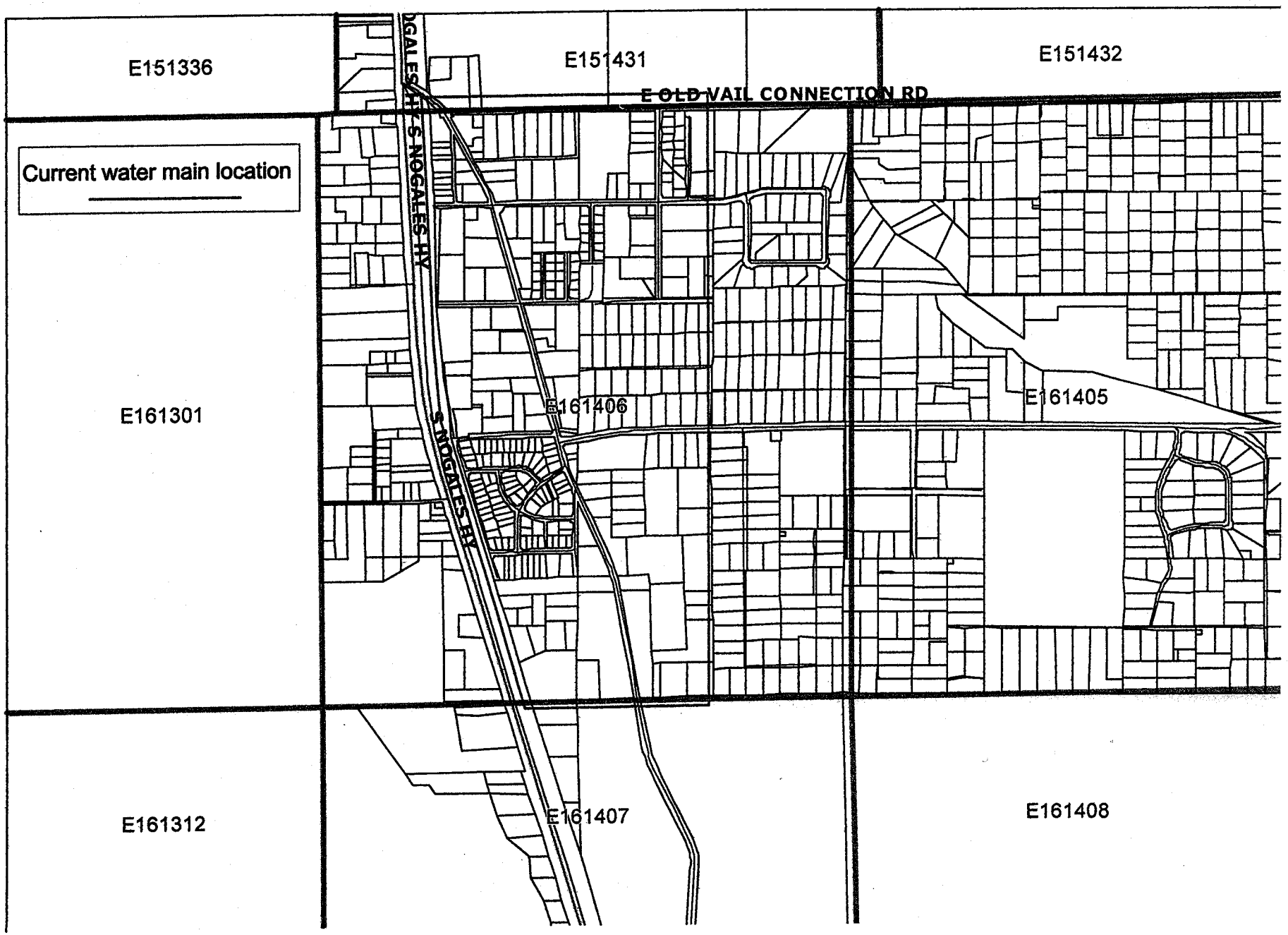
T16S R14E
Section 6

Thim Utility Company
E and T

July 2007

Total Ln. ft. of water mains in "E and T"

8" Main... 530'
6" Main... 8110'
4" Main...18,715'
3" Main... 2540'
2.5" line... 3275'

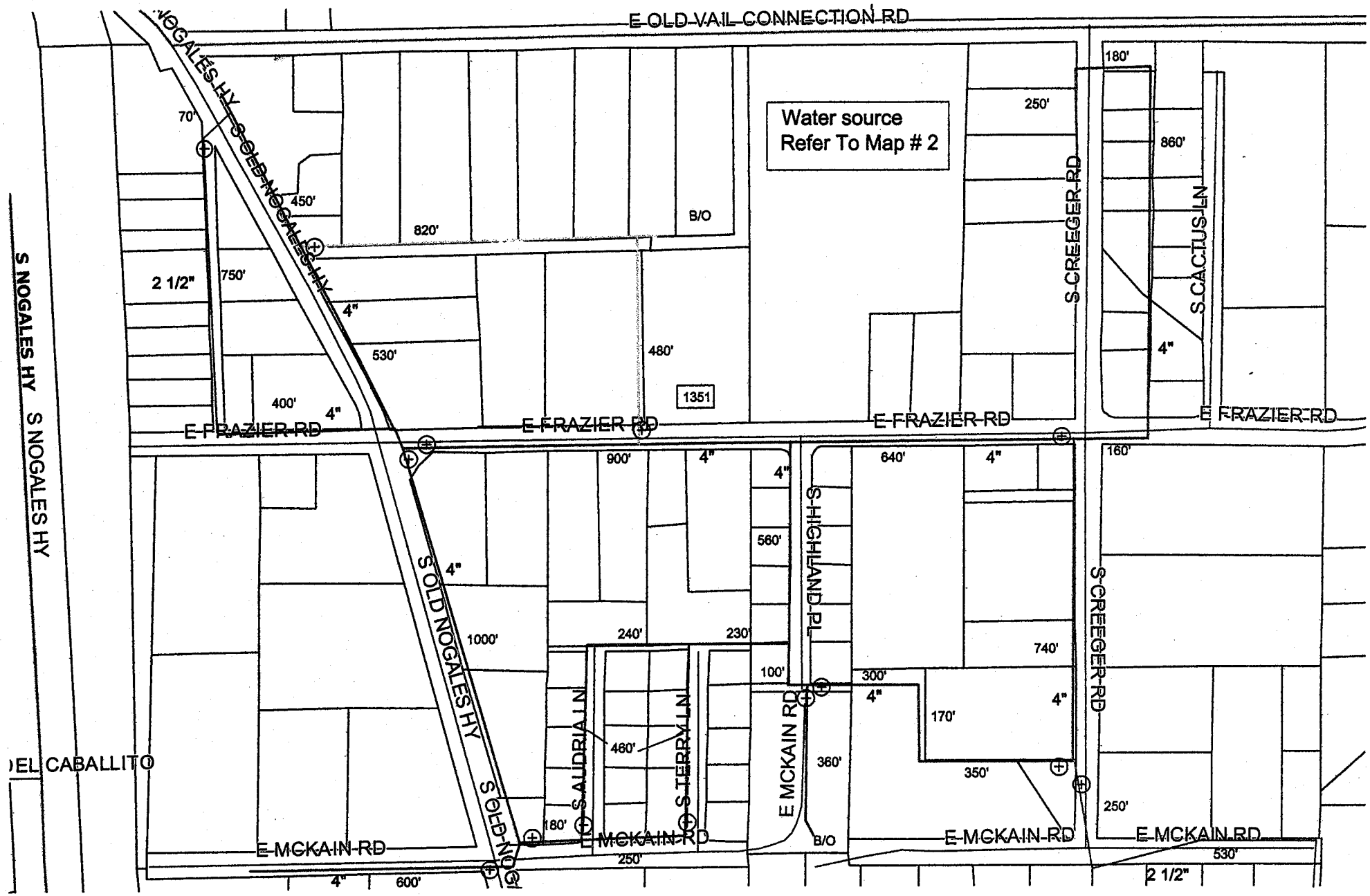


Ln. ft. of water mains in Map # 1
4" Main... 10270'
3" Main.. 1300'
2.5" line.. 1540'

Thim Utility Company
E and T (north)
Map # 1 of 3

T16S R14E
Section 6

July 2008



Ln. ft. of water mains in Map # 2

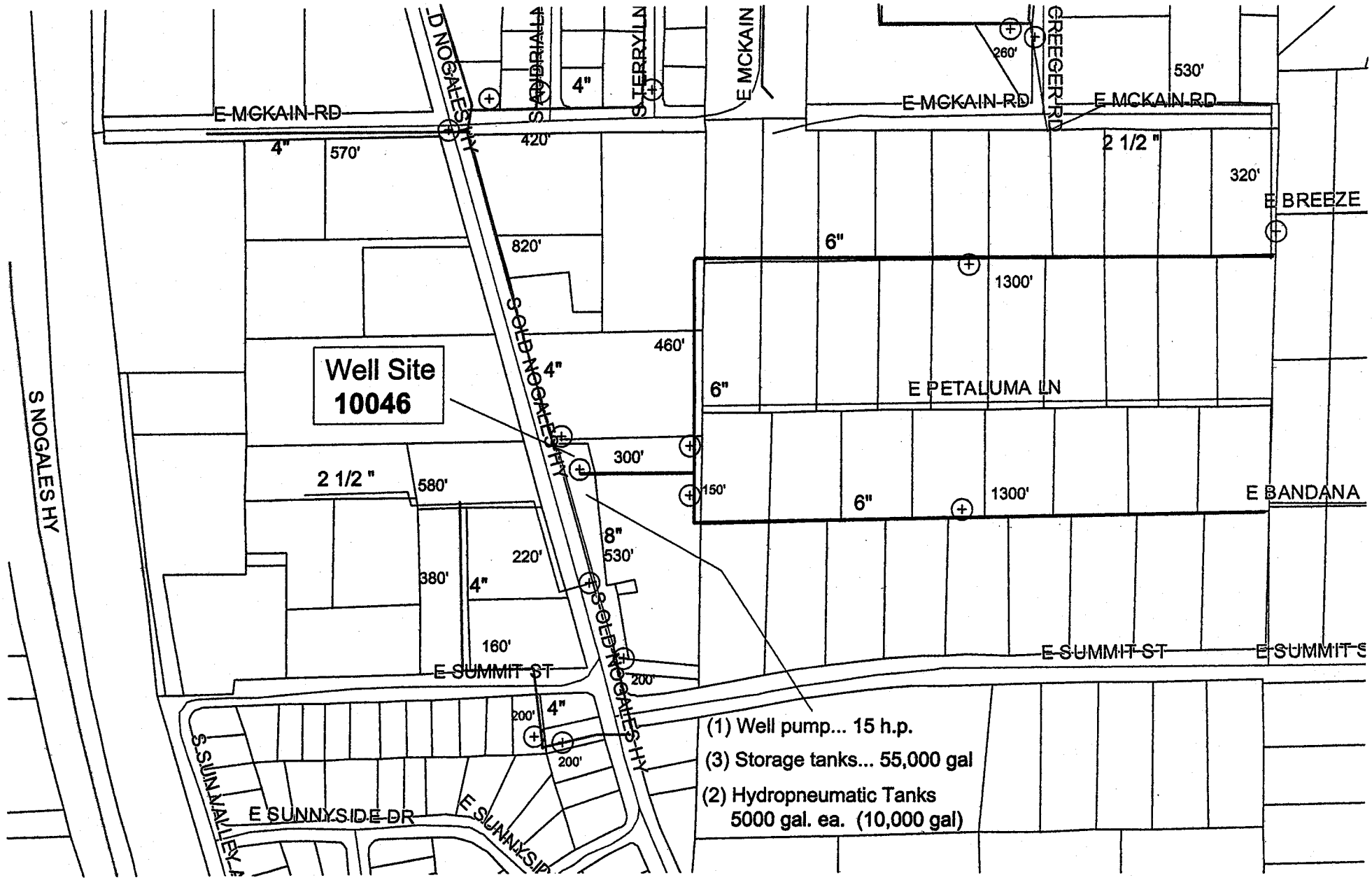
8" Main... 530' 4" Main... 1360'

6" Main... 3500' 2.5" Line.. 870'

Thim Utility Company
E and T (middle)
Map # 2 of 3

T16S R14E
Section 6

July 2008



Thim Utility Company
E and T (south)

Map #3 of 3

Ln. ft. of water mains in Map # 3	
6" Main... 2400'	3" Main... 530'
4" Main... 2480'	2.5" Line. 425'

T16S R14E
Section 6

July 2008

[redacted]

Ln ft. of water line for map # 4

4" ..... 1630'
3" ..... 710'
2.5".... 440'

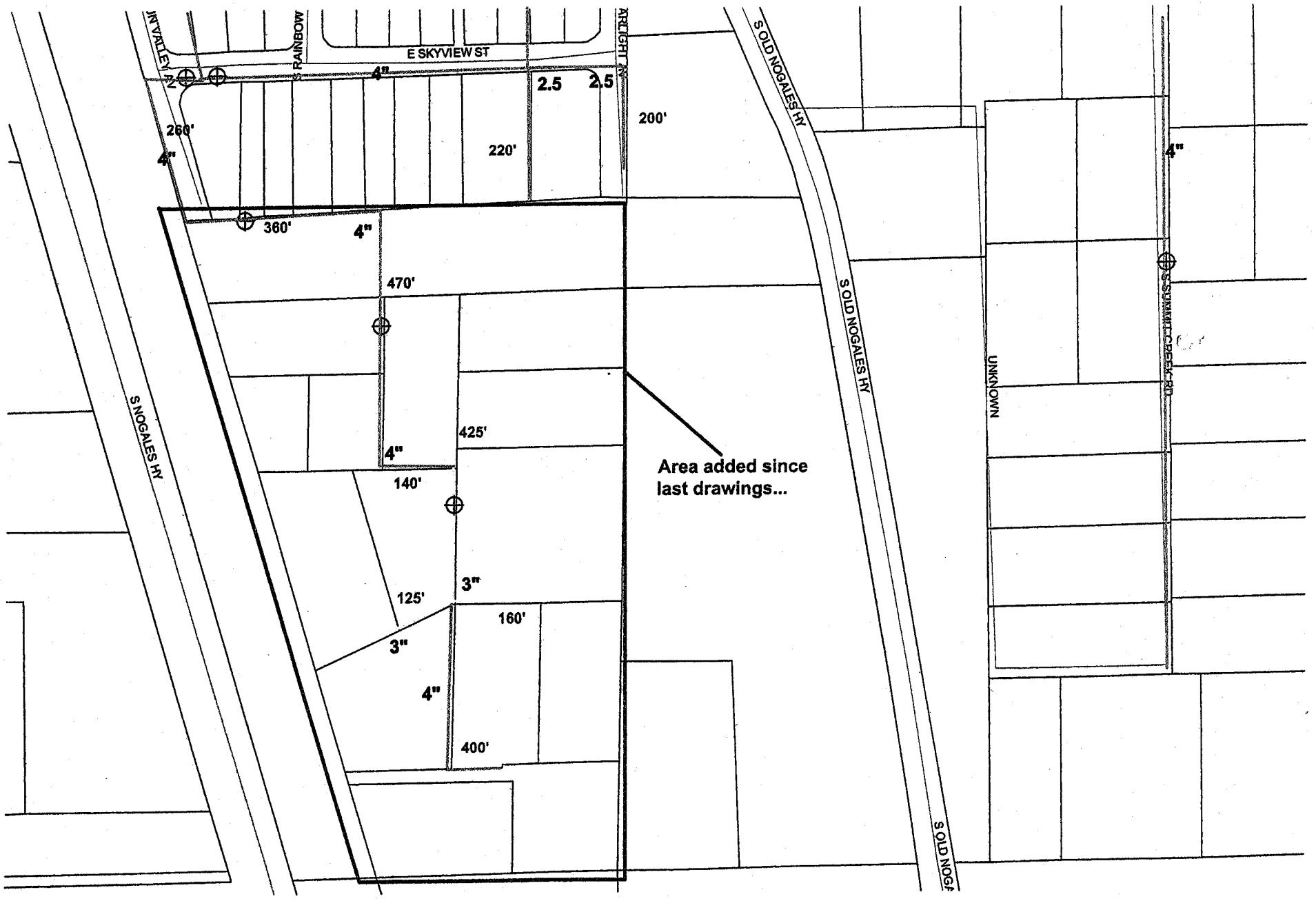
E and T (south)

Map #4 of 4

10046

T16S R14E
Section 6

June 2007



Ln ft. of water line
6" Main... 2210'
4" Main... 2985'

Thim Utility Company

10046

June 2007

T16S R14E
Section 6

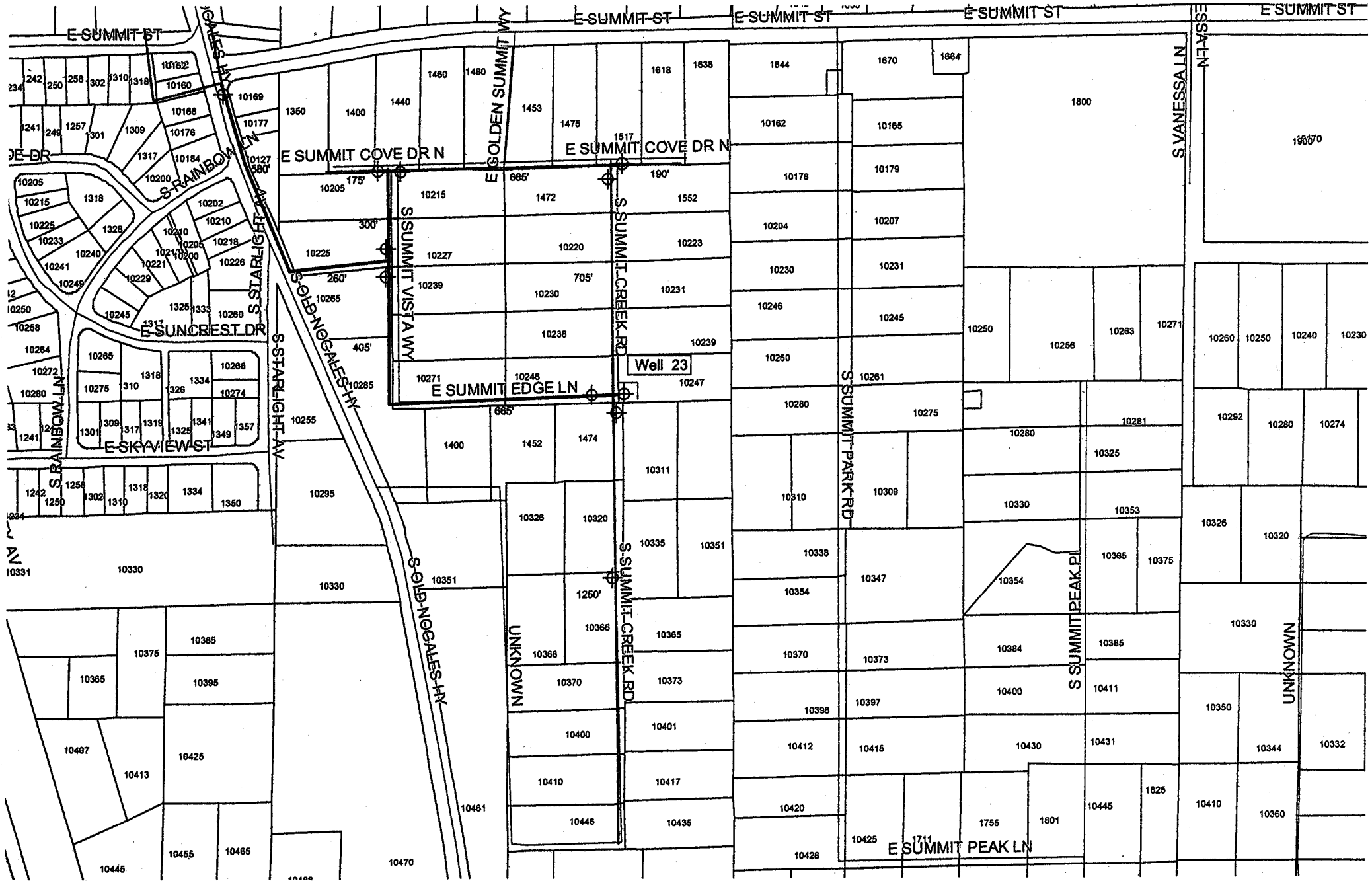


Exhibit "B-2"
Licenses

Diablo Village Water Company

PUBLIC WORKS
PIMA COUNTY

REAL PROPERTY SERVICES
201 N. Stone Avenue, Sixth Floor, Tucson, Arizona 85701-1215
(520) 740-6313 FAX (520) 740-6763

June 7, 2007

DIABLO VILLAGE WATER COMPANY
ATTN: ROBIN M. THIM, PRESIDENT
P O BOX 13145
TUCSON AZ 85732-3145

Re: Pima County Public Utility License Agreement

Dear Utility Company,

Enclosed, for your records, is an original, fully executed Utility License Agreement and a copy of the recorded document.

Thank you for your cooperation in this matter.

Sincerely,

Dana Hausman

Dana Hausman
Sr. Administrative Support Specialist

Enclosures

RecAgr.ltr

PIMA COUNTY PUBLIC UTILITY LICENSE AGREEMENT

WHEREAS, this License Agreement is entered into between Pima County, a political subdivision of the State of Arizona (hereinafter "County"), and Diablo Village Water Company (hereinafter "Licensee"); and

WHEREAS, Licensee has applied and petitioned to the Board of Supervisors of the County for the right and privilege to construct, install, maintain, and operate Licensee's facilities within the public rights-of-way within Pima County and outside the confines of any incorporated city or town as required by A.R.S. § 40-283; and

WHEREAS, notice of the County's intent to enter into this agreement has been duly given as required by law; and

WHEREAS, said application came before the Board of Supervisors of the County of Pima, State of Arizona, and no petition to the Board of Supervisors to deny such privilege was filed or presented to the Board; and

WHEREAS, it being determined by the Board of Supervisors that the granting of this License is authorized by law and in the best interests of Pima County and the inhabitants thereof;

THEREFORE, the County and Licensee agree to the following:

Section 1. Grant of License. Licensee is hereby authorized and empowered, on a non-exclusive basis, to use all County public rights-of-way now existing or hereafter established and lying within the unincorporated areas of Pima County, under the terms and conditions set forth herein, for the purpose of installing, repairing, replacing, and maintaining its facilities.

Section 2. Term. This License is granted for a term of fifteen (15) years from the date this License is approved by the Board of Supervisors and extinguishes, supersedes and replaces all preceding franchises or licenses granted to Licensee by County.

Section 3. Regulation of County Rights-of-Way. All rights hereunder are granted under the express condition that County shall have the power at any time to impose restrictions and limitations, and to make regulations as to Licensee's use of the County's rights-of-way as may be deemed best for the public interests, safety or welfare.

Section 4. Superior Rights. The rights of County in and to the use of all public rights-of-way located within the unincorporated areas of Pima County are and forever shall be paramount and superior to the rights of Licensee.

Section 5. Alteration of Public Rights-of-Way. Nothing in this License shall be construed to prevent County from, altering, improving, adjusting, repairing, or maintaining its facilities and public rights-of-way and for that purpose to require Licensee to adjust, remove, replace or relocate Licensee's facilities to accommodate or facilitate the County's use of its facilities or rights-of-way. Facilities of Licensee shall mean any physical object or improvement owned, possessed, made, installed, constructed or maintained by Licensee or made, installed or constructed by County or others at the request of Licensee. Facilities of County shall mean any physical object or improvement owned, possessed, made, installed, maintained or constructed by County or others at the request of County, including all paving, highway, transportation, flood control and wastewater facilities located within County rights-of-way.

Section 6. Non-Exclusive Use. Nothing in this agreement shall be construed to grant Licensee an exclusive right to use the public rights-of-way. Licensee's facilities shall be erected, adjusted, installed, replaced, removed, relocated and maintained in a manner that will not interfere with the reasonable use of the public rights-of-way by the public, the County, or any other franchisee or licensee. The location of Licensee's facilities in the public rights-of-way shall not create or establish a vested interest in the rights-of-way and its facilities shall be removed or relocated by Licensee whenever County determines that Licensee's facilities impact, restrict, obstruct or hinder the County or the public's existing or future use of the rights-of-way or the County's operation or location of County facilities.

Section 7. Relocation. Licensee shall be solely responsible for the design, adjustment, removal or relocation, temporarily or permanently, of all Licensee's facilities that impact, conflict or interfere with the County's use of its rights-of-way or the County's improvement, relocation or adjustment of any facilities located in County rights-of-way. The cost of designing, adjusting, removing, relocating or replacing Licensee's facilities shall be Licensee's sole responsibility, unless Licensee has established prior rights with the County for the facilities to be affected. Prior to beginning any activity in the County rights-of-way, Licensee shall obtain all required permits from the County and any other applicable jurisdiction for the activity. The Licensee's facilities shall be adjusted, removed, replaced or relocated by Licensee in accordance with an activity schedule determined by County and provided to Licensee within a reasonable period of time prior to the scheduled activity start date. If the schedule is unacceptable to the Licensee or Licensee finds it necessary to plead financial hardship regarding the cost of relocating its facilities, the Licensee may appeal to the Board of Supervisors. If Licensee's facilities are not adjusted, removed, replaced or relocated within the time period allotted by the County's activity schedule, County may, at its discretion, adjust or relocate Licensee's facilities. Licensee hereby agrees to be liable for all costs incurred by County for the adjustment or relocation of Licensee's facilities necessitated by County's activities, including overhead and maintenance costs and an administrative surcharge in the amount of fifteen (15) percent of the total cost attributed to the adjustment or relocation of Licensee's facilities. In the event County incurs such costs, County shall submit a bill to Licensee for the incurred costs, and Licensee shall pay County the invoiced amount within ninety (90) calendar days of receipt of the invoice. If the invoice is not timely

paid by Licensee, all rights granted to Licensee under this agreement shall be suspended and no permits will be issued to Licensee for any work within the County rights-of-way until the invoiced costs are paid in full to County.

Section 8. Undergrounding. The parties acknowledge that County has the authority to require Licensee to underground its above ground facilities in County rights-of-way when the County determines that undergrounding of Licensee's facilities is necessary to conform to existing County Ordinances or is in the public interest. The County may require Licensee to conduct a study of the cost of undergrounding any portion or segment of Licensee's facilities located in the County rights-of-way. The study shall set forth an estimate of the costs of undergrounding Licensee's facilities including a breakdown of the cost allocated to labor, material, design and construction for converting above ground facilities to underground facilities. The Licensee shall submit a cost study for any specified segment of Licensee's facilities within ninety (90) calendar days after receiving written notice from County requesting the cost study. The cost of preparing and providing any cost study requested by County shall be borne by the Licensee.

Section 9. Scenic Routes. The installation of Licensee's facilities within any public rights-of-way designated by the Board of Supervisors as a scenic route must be constructed in accordance with the County's Scenic Routes Ordinance.

Section 10. Performance of Work. The work required by Licensee to design, construct, reconstruct, pothole for design, adjust, relocate, replace or repair Licensee's facilities shall be Licensee's sole responsibility. The cost of any delays to County projects caused by Licensee's failure to complete its work in accordance with the County's activity schedule shall be the Licensee's sole responsibility. In the event County incurs such costs, County shall submit a bill to Licensee for the incurred costs and Licensee shall pay County the invoiced amount within ninety (90) calendar days of receipt of the invoice. If the invoice is not timely paid by Licensee, all rights granted to Licensee under this agreement shall be suspended and no permits will be issued to Licensee for any work within the County rights-of-way until the invoiced costs are paid in full to County.

Section 11. Location of Facilities. As a condition of this License, Licensee hereby agrees to have and maintain precise, up-to-date maps of Licensee's facilities located in County rights-of-way and to make this information available to County within fifteen (15) calendar days of receiving a written request from the County. Beginning on the effective date of this Agreement, Licensee shall maintain precise and verifiable horizontal and vertical location information tied to an accepted County datum and provide such information to the County within fifteen (15) calendar days of receiving written notice from County. As a condition of the issuance of this License, Licensee agrees to provide surface location marking of Licensee's undergrounded facilities located within the public rights-of-way within two working days of a request from the County. In the event the Licensee is unable to provide the location information to County within the allotted time frame, County may, at its discretion, locate Licensee's facilities and Licensee shall be liable for the cost incurred in locating Licensee's facilities.

Section 12. Work in Rights-of-Way.

12.1. *Damage to other facilities.* In the construction, adjustment, removal, relocation, repair, operation and maintenance of its facilities, Licensee shall avoid causing or permitting any damage, disturbance or unnecessary modification or alteration to County facilities including pavement, or the facilities of others, located in the County rights-of-way. If Licensee causes or permits any such damage, disturbance or unnecessary alteration or modification, Licensee, at its sole expense and in a manner approved by the County Engineer, shall restore the damaged, disturbed, altered, or modified facilities to the condition in which they existed before being damaged, disturbed, modified, or altered. Licensee shall also be liable to owners of said facilities for any other losses or expenses which may accrue because of said damage, disturbance, modification or alteration. The restoration of facilities shall be initiated promptly and completed expeditiously by Licensee, who shall give priority to the restoration, repair or replacement of such facilities over all non-emergency activities of Licensee.

12.2. *Damage to vegetation.* In the construction, adjustment, removal, relocation, repair, operation and maintenance of its facilities, Licensee shall use all necessary care to avoid any damage to or disturbance of existing vegetation in the public rights-of-way. If Licensee causes or permits any such damage or disturbance, Licensee shall re-vegetate the rights-of-way at its sole expense and in accordance with all County regulations then in effect.

12.3. *Adjacent properties.* Licensee shall provide prior written notice to the owners or residents of adjoining properties of any activity of Licensee which may temporarily interfere with access to or use of said adjoining property. Licensee shall maintain access to adjoining properties during all construction activities or other operations, unless the requirement of access is waived in writing by the owners and residents of adjoining properties. If an emergency requires activity without written notice, Licensee shall use its best efforts to provide timely actual notice to the owners and residents of the adjoining properties.

Section 13. Design and Location of Facilities.

13.1. Licensee shall use reasonable care at all times to avoid damage or injury to persons and property during the construction, adjustment, removal, relocation, repair, operation and maintenance of Licensee's facilities.

13.2. The location and construction of Licensee's facilities in public rights-of-way shall conform to County standards and guidelines then in effect and as may be directed by County, in order not to interfere with a planned future use of the public rights-of-way by the County.

13.3. Licensee's facilities shall be located in a manner designed to cause the least amount of interference with the public's existing or future use of roads, streets, alleys and other public rights-of-way and in such a way as will minimize interference with the rights and convenience of adjacent property owners.

13.4. County may require Licensee to remove, relocate or underground, at Licensee's sole expense, any of Licensee's facilities that present a potential hazard to the public, that

interfere with the public's use of the public rights-of-way, or are determined by County to be aesthetically undesirable.

13.5. Licensee shall be responsible for notifying owners or residents of adjoining properties in writing about permanent or temporary above or below ground facilities to be constructed in the County rights-of-way. Licensee shall make every reasonable effort to resolve the concerns of property owners and residents regarding the construction of Licensee's facilities. Should the County determine that Licensee failed to reasonably evaluate all options available to alleviate residents concerns, County may require the Licensee to relocate its facilities at Licensee's sole expense.

13.6. Licensee shall be responsible for the cost to excavate in a "careful and prudent manner" Licensee's underground facilities pursuant to A.R.S. § 40-360.21 and § 40-360.22A on all County construction projects occurring within County rights-of-way.

Section 14. Construction Safety. Any opening or obstruction in the public rights-of-way caused by Licensee during the course of Licensee's activities in the rights-of-way shall be guarded and protected at all times by safety barriers erected by Licensee which shall be clearly designated by warning lights during periods of dusk and darkness. Any work performed by Licensee in or adjacent to a public roadway open for travel shall be properly signed and marked by Licensee with warning and directional devices in accordance with all applicable state and local traffic regulations and in accordance with the Arizona Department of Transportation's Traffic Control Manual for Highway Construction and Maintenance.

Section 15. Drainage. During construction or excavation in the public rights-of-way, Licensee shall provide proper drainage so that the public rights-of-way will be free from standing surface water and adequately drained so as not to cause flood or erosion damage to the facilities of the County or surrounding property. Licensee may be required, at the request of the County, to submit drainage engineering data and design plans to the County for review and approval prior to the issuance of any Right-of-Way Use Permit by County.

Section 16. Issuance of Permit not County Approval. County's review, approval or acceptance of plans or specifications or issuance of a permit for the installation, construction or location of a facility by Licensee shall not be construed to be an authorization for or approval of a violation of any federal, state or local law or regulation, or any industry standard, pertaining to the location or construction of a utility facility in public rights-of-way. No permit or approval presuming to give such authority shall be valid or otherwise relieve Licensee of its obligations under this License regarding the location and construction of facilities.

Section 17. County Inspection. County, if it deems necessary, has the right to inspect any work by Licensee in the public rights-of-way to insure proper performance of the terms of this License and conformance with any applicable federal, state and local laws, ordinances and regulations. County may require Licensee to pay a reasonable and uniform fee to cover the actual costs of inspections performed by County or its contractor under this provision. County may, at its discretion, pothole Licensee's facilities to verify conformance with *Section 11. Location of Facilities* of this License. Licensee shall be liable for the cost of potholing and an

administrative surcharge in the amount of fifteen (15) percent of the total cost of potholing should Licensee's facilities be out of conformance. Licensee shall be responsible for taking corrective action to bring as-builts into conformance with verified facilities.

Section 18. Abandonment of Facilities. Abandonment in place, of any of Licensee's facilities located within the County rights-of-way may only occur by acquiring written approval from the County.

Section 19. Liability and Indemnity. Licensee acknowledges its sole liability for its facilities installed in the public rights-of-way and for any activities it performs within the public rights-of-way. Licensee agrees to indemnify, hold harmless, and defend the County, its officials, agents, servants, and employees against all claims for injuries to persons or damage to property arising out of Licensee's work in the public rights-of-way or due to the existence of Licensee's facilities in the public rights-of-way, or in any way related to Licensee's exercise of its rights under this License. Neither the issuance of a County permit for installation or location of a facility, nor County approval of the activity, installation or location, nor the failure of the County to direct Licensee to take any precautions or make any changes or to refrain from doing anything shall excuse Licensee of its responsibilities hereunder to County or others in the case of any injury to persons or damage to property. If County is sued in any court by any person, firm, association or corporation to recover damages for injuries to person or property on account of the installation, repairing, operation and maintenance of facilities of Licensee, Licensee shall defend all such suits and pay any resulting judgments and shall, at the option of County, be made a party to any such court proceeding.

Section 20. County Participation in Legal Actions. The County shall have the right at all times to take part in any suit or action instituted by or against Licensee in which any judgment or decree can be rendered or foreclosing any lien on any of Licensee's property situated within public rights-of-way, or affecting the rights, powers or duties of Licensee to do or not to do anything which by this License it may be required to do or not to do, and also to take such steps as the County may deem essential to protect the interests of County or the public interest. County shall have the right to intervene in any suit, action, or proceeding by any person or persons, firm or corporation seeking to enjoin, restrain, or in any manner interfere with Licensee in the performance or observance by it of any of the terms or conditions of this License, or any regulation, notice or direction of County in such connection, or which involves or might involve the constitutionality, validity or enforcement of this License. County may also move for dissolution of any such injunction or restraining order or take any other appropriate step, in any such suit, action or proceeding which it may deem necessary or advisable to protect its interests.

Section 21. Compliance with License Conditions and Ordinances. Licensee agrees to conform to, abide by, and perform all the conditions, provisions, requirements, and limitations in this License Agreement. Licensee shall be subject to all County ordinances now in force or hereafter adopted, including all ordinances relating to the use of public rights-of-way by utilities. Licensee agrees that it will not assert any claim against the County that the provisions of this License or any applicable County ordinance or regulation in force at the time of execution of this License are unreasonable, arbitrary or void.

Section 22. Non-Exclusive License. This License and the privileges granted herein shall not be exclusive. The Board of Supervisors expressly reserves the right to grant, at any time, similar franchises, licenses and privileges over the same highways, roads, streets, alleys, and thoroughfares, or any thereof, to any other persons, firms or corporations.

Section 23. Assignment. Licensee hereby agrees that neither this License nor any of Licensee's facilities in the County rights-of-way shall be sold, assigned, or transferred without the prior written approval of the Pima County Board of Supervisors. The decision to approve or deny the sale, assignment or transfer of this License shall be within the sole discretion of the Board of Supervisors and the Board may deny Licensee's request to sell, assign or transfer the License if such denial is in the best interests of the County.

Section 24. County's Contact Information. All notices or contact concerning this License shall be provided in writing to:

Pima County Real Property Services
201 North Stone, 6th Floor
Tucson, Arizona 85701
(520) 740-6313

Section 25. Licensee's Contact Information. Any change in any of the Licensee's contact information below shall be made in writing to the County.

Name: Robin M. Thing

Title: Pres. Diablo Village Water Company

Address: P.O. Box 13145, Tucson AZ 85732

Phone: (520) 290-1255

LICENSEE: Diablo Village Water Company

By: _____
ROBIN M THUM

Title: PRESIDENT

State of Arizona)
) ss
County of Pima)

This instrument was acknowledged before me this 19th day of March, 2007, by Robin Thum, as President of Diablo Village Water Company.

_____
Notary Public

My Commission Expires:

_____

PIMA COUNTY, ARIZONA

Chairman, Pima County Board of Supervisors

Date: MAY 01 2007

ATTEST:

Lori Godoshian

Clerk, Pima County Board of Supervisors

Approved as to form:

Deputy County Attorney

Exhibit "B-2"

Licenses

Thim Utility Co.

PUBLIC WORKS
pima county

REAL PROPERTY SERVICES
201 N. Stone Avenue, Sixth Floor, Tucson, Arizona 85701-1215
(520) 740-6313 FAX (520) 740-6763

June 7, 2007

THIM UTILITY
ATTN: ROBIN M. THIM, PRESIDENT
P O BOX 13145
TUCSON AZ 85732-3145

Re: Pima County Public Utility License Agreement

Dear Utility Company,

Enclosed, for your records, is an original, fully executed Utility License Agreement and a copy of the recorded document.

Thank you for your cooperation in this matter.

Sincerely,

Dana Hausman

Dana Hausman
Sr. Administrative Support Specialist

Enclosures

RecAgr.ltr

PIMA COUNTY PUBLIC UTILITY LICENSE AGREEMENT

WHEREAS, this License Agreement is entered into between Pima County, a political subdivision of the State of Arizona (hereinafter "County"), and Thim Utility (hereinafter "Licensee"); and

WHEREAS, Licensee has applied and petitioned to the Board of Supervisors of the County for the right and privilege to construct, install, maintain, and operate Licensee's facilities within the public rights-of-way within Pima County and outside the confines of any incorporated city or town as required by A.R.S. § 40-283; and

WHEREAS, notice of the County's intent to enter into this agreement has been duly given as required by law; and

WHEREAS, said application came before the Board of Supervisors of the County of Pima, State of Arizona, and no petition to the Board of Supervisors to deny such privilege was filed or presented to the Board; and

WHEREAS, it being determined by the Board of Supervisors that the granting of this License is authorized by law and in the best interests of Pima County and the inhabitants thereof;

THEREFORE, the County and Licensee agree to the following:

Section 1. Grant of License. Licensee is hereby authorized and empowered, on a non-exclusive basis, to use all County public rights-of-way now existing or hereafter established and lying within the unincorporated areas of Pima County, under the terms and conditions set forth herein, for the purpose of installing, repairing, replacing, and maintaining its facilities.

Section 2. Term. This License is granted for a term of fifteen (15) years from the date this License is approved by the Board of Supervisors and extinguishes, supersedes and replaces all preceding franchises or licenses granted to Licensee by County.

Section 3. Regulation of County Rights-of-Way. All rights hereunder are granted under the express condition that County shall have the power at any time to impose restrictions and limitations, and to make regulations as to Licensee's use of the County's rights-of-way as may be deemed best for the public interests, safety or welfare.

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Section 5. Alteration of Public Rights-of-Way. Nothing in this License shall be construed to prevent County from, altering, improving, adjusting, repairing, or maintaining its facilities and public rights-of-way and for that purpose to require Licensee to adjust, remove, replace or relocate Licensee's facilities to accommodate or facilitate the County's use of its facilities or rights-of-way. Facilities of Licensee shall mean any physical object or improvement owned, possessed, made, installed, constructed or maintained by Licensee or made, installed or constructed by County or others at the request of Licensee. Facilities of County shall mean any physical object or improvement owned, possessed, made, installed, maintained or constructed by County or others at the request of County, including all paving, highway, transportation, flood control and wastewater facilities located within County rights-of-way.

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Section 7. Relocation. Licensee shall be solely responsible for the design, adjustment, removal or relocation, temporarily or permanently, of all Licensee's facilities that impact, conflict or interfere with the County's use of its rights-of-way or the County's improvement, relocation or adjustment of any facilities located in County rights-of-way. The cost of designing, adjusting, removing, relocating or replacing Licensee's facilities shall be Licensee's sole responsibility, unless Licensee has established prior rights with the County for the facilities to be affected. Prior to beginning any activity in the County rights-of-way, Licensee shall obtain all required permits from the County and any other applicable jurisdiction for the activity. The Licensee's facilities shall be adjusted, removed, replaced or relocated by Licensee in accordance with an activity schedule determined by County and provided to Licensee within a reasonable period of time prior to the scheduled activity start date. If the schedule is unacceptable to the Licensee or Licensee finds it necessary to plead financial hardship regarding the cost of relocating its facilities, the Licensee may appeal to the Board of Supervisors. If Licensee's facilities are not adjusted, removed, replaced or relocated within the time period allotted by the County's activity schedule, County may, at its discretion, adjust or relocate Licensee's facilities. Licensee hereby agrees to be liable for all costs incurred by County for the adjustment or relocation of Licensee's facilities necessitated by County's activities, including overhead and maintenance costs and an administrative surcharge in the amount of fifteen (15) percent of the total cost attributed to the adjustment or relocation of Licensee's facilities. In the event County incurs such costs, County shall submit a bill to Licensee for the incurred costs, and Licensee shall pay County the invoiced amount within ninety (90) calendar days of receipt of the invoice. If the invoice is not timely

paid by Licensee, all rights granted to Licensee under this agreement shall be suspended and no permits will be issued to Licensee for any work within the County rights-of-way until the invoiced costs are paid in full to County.

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Section 9. Scenic Routes. The installation of Licensee's facilities within any public rights-of-way designated by the Board of Supervisors as a scenic route must be constructed in accordance with the County's Scenic Routes Ordinance.

Section 10. Performance of Work. The work required by Licensee to design, construct, reconstruct, pothole for design, adjust, relocate, replace or repair Licensee's facilities shall be Licensee's sole responsibility. The cost of any delays to County projects caused by Licensee's failure to complete its work in accordance with the County's activity schedule shall be the Licensee's sole responsibility. In the event County incurs such costs, County shall submit a bill to Licensee for the incurred costs and Licensee shall pay County the invoiced amount within ninety (90) calendar days of receipt of the invoice. If the invoice is not timely paid by Licensee, all rights granted to Licensee under this agreement shall be suspended and no permits will be issued to Licensee for any work within the County rights-of-way until the invoiced costs are paid in full to County.

Section 11. Location of Facilities. As a condition of this License, Licensee hereby agrees to have and maintain precise, up-to-date maps of Licensee's facilities located in County rights-of-way and to make this information available to County within fifteen (15) calendar days of receiving a written request from the County. Beginning on the effective date of this Agreement, Licensee shall maintain precise and verifiable horizontal and vertical location information tied to an accepted County datum and provide such information to the County within fifteen (15) calendar days of receiving written notice from County. As a condition of the issuance of this License, Licensee agrees to provide surface location marking of Licensee's undergrounded facilities located within the public rights-of-way within two working days of a request from the County. In the event the Licensee is unable to provide the location information to County within the allotted time frame, County may, at its discretion, locate Licensee's facilities and Licensee shall be liable for the cost incurred in locating Licensee's facilities.

Section 12. Work in Rights-of-Way.

12.1. *Damage to other facilities.* In the construction, adjustment, removal, relocation, repair, operation and maintenance of its facilities, Licensee shall avoid causing or permitting any damage, disturbance or unnecessary modification or alteration to County facilities including pavement, or the facilities of others, located in the County rights-of-way. If Licensee causes or permits any such damage, disturbance or unnecessary alteration or modification, Licensee, at its sole expense and in a manner approved by the County Engineer, shall restore the damaged, disturbed, altered, or modified facilities to the condition in which they existed before being damaged, disturbed, modified, or altered. Licensee shall also be liable to owners of said facilities for any other losses or expenses which may accrue because of said damage, disturbance, modification or alteration. The restoration of facilities shall be initiated promptly and completed expeditiously by Licensee, who shall give priority to the restoration, repair or replacement of such facilities over all non-emergency activities of Licensee.

12.2. *Damage to vegetation.* In the construction, adjustment, removal, relocation, repair, operation and maintenance of its facilities, Licensee shall use all necessary care to avoid any damage to or disturbance of existing vegetation in the public rights-of-way. If Licensee causes or permits any such damage or disturbance, Licensee shall re-vegetate the rights-of-way at its sole expense and in accordance with all County regulations then in effect.

12.3. *Adjacent properties.* Licensee shall provide prior written notice to the owners or residents of adjoining properties of any activity of Licensee which may temporarily interfere with access to or use of said adjoining property. Licensee shall maintain access to adjoining properties during all construction activities or other operations, unless the requirement of access is waived in writing by the owners and residents of adjoining properties. If an emergency requires activity without written notice, Licensee shall use its best efforts to provide timely actual notice to the owners and residents of the adjoining properties.

Section 13. Design and Location of Facilities.

13.1. Licensee shall use reasonable care at all times to avoid damage or injury to persons and property during the construction, adjustment, removal, relocation, repair, operation and maintenance of Licensee's facilities.

13.2. The location and construction of Licensee's facilities in public rights-of-way shall conform to County standards and guidelines then in effect and as may be directed by County, in order not to interfere with a planned future use of the public rights-of-way by the County.

13.3. Licensee's facilities shall be located in a manner designed to cause the least amount of interference with the public's existing or future use of roads, streets, alleys and other public rights-of-way and in such a way as will minimize interference with the rights and convenience of adjacent property owners.

13.4. County may require Licensee to remove, relocate or underground, at Licensee's sole expense, any of Licensee's facilities that present a potential hazard to the public, that

interfere with the public's use of the public rights-of-way, or are determined by County to be aesthetically undesirable.

13.5. Licensee shall be responsible for notifying owners or residents of adjoining properties in writing about permanent or temporary above or below ground facilities to be constructed in the County rights-of-way. Licensee shall make every reasonable effort to resolve the concerns of property owners and residents regarding the construction of Licensee's facilities. Should the County determine that Licensee failed to reasonably evaluate all options available to alleviate residents concerns, County may require the Licensee to relocate its facilities at Licensee's sole expense.

13.6. Licensee shall be responsible for the cost to excavate in a "careful and prudent manner" Licensee's underground facilities pursuant to A.R.S. § 40-360.21 and § 40-360.22A on all County construction projects occurring within County rights-of-way.

Section 14. Construction Safety. Any opening or obstruction in the public rights-of-way caused by Licensee during the course of Licensee's activities in the rights-of-way shall be guarded and protected at all times by safety barriers erected by Licensee which shall be clearly designated by warning lights during periods of dusk and darkness. Any work performed by Licensee in or adjacent to a public roadway open for travel shall be properly signed and marked by Licensee with warning and directional devices in accordance with all applicable state and local traffic regulations and in accordance with the Arizona Department of Transportation's Traffic Control Manual for Highway Construction and Maintenance.

Section 15. Drainage. During construction or excavation in the public rights-of-way, Licensee shall provide proper drainage so that the public rights-of-way will be free from standing surface water and adequately drained so as not to cause flood or erosion damage to the facilities of the County or surrounding property. Licensee may be required, at the request of the County, to submit drainage engineering data and design plans to the County for review and approval prior to the issuance of any Right-of-Way Use Permit by County.

Section 16. Issuance of Permit not County Approval. County's review, approval or acceptance of plans or specifications or issuance of a permit for the installation, construction or location of a facility by Licensee shall not be construed to be an authorization for or approval of a violation of any federal, state or local law or regulation, or any industry standard, pertaining to the location or construction of a utility facility in public rights-of-way. No permit or approval presuming to give such authority shall be valid or otherwise relieve Licensee of its obligations under this License regarding the location and construction of facilities.

Section 17. County Inspection. County, if it deems necessary, has the right to inspect any work by Licensee in the public rights-of-way to insure proper performance of the terms of this License and conformance with any applicable federal, state and local laws, ordinances and regulations. County may require Licensee to pay a reasonable and uniform fee to cover the actual costs of inspections performed by County or its contractor under this provision. County may, at its discretion, pothole Licensee's facilities to verify conformance with *Section 11. Location of Facilities* of this License. Licensee shall be liable for the cost of potholing and an

administrative surcharge in the amount of fifteen (15) percent of the total cost of potholing should Licensee's facilities be out of conformance. Licensee shall be responsible for taking corrective action to bring as-builts into conformance with verified facilities.

Section 18. Abandonment of Facilities. Abandonment in place, of any of Licensee's facilities located within the County rights-of-way may only occur by acquiring written approval from the County.

Section 19. Liability and Indemnity. Licensee acknowledges its sole liability for its facilities installed in the public rights-of-way and for any activities it performs within the public rights-of-way. Licensee agrees to indemnify, hold harmless, and defend the County, its officials, agents, servants, and employees against all claims for injuries to persons or damage to property arising out of Licensee's work in the public rights-of-way or due to the existence of Licensee's facilities in the public rights-of-way, or in any way related to Licensee's exercise of its rights under this License. Neither the issuance of a County permit for installation or location of a facility, nor County approval of the activity, installation or location, nor the failure of the County to direct Licensee to take any precautions or make any changes or to refrain from doing anything shall excuse Licensee of its responsibilities hereunder to County or others in the case of any injury to persons or damage to property. If County is sued in any court by any person, firm, association or corporation to recover damages for injuries to person or property on account of the installation, repairing, operation and maintenance of facilities of Licensee, Licensee shall defend all such suits and pay any resulting judgments and shall, at the option of County, be made a party to any such court proceeding.

Section 20. County Participation in Legal Actions. The County shall have the right at all times to take part in any suit or action instituted by or against Licensee in which any judgment or decree can be rendered or foreclosing any lien on any of Licensee's property situated within public rights-of-way, or affecting the rights, powers or duties of Licensee to do or not to do anything which by this License it may be required to do or not to do, and also to take such steps as the County may deem essential to protect the interests of County or the public interest. County shall have the right to intervene in any suit, action, or proceeding by any person or persons, firm or corporation seeking to enjoin, restrain, or in any manner interfere with Licensee in the performance or observance by it of any of the terms or conditions of this License, or any regulation, notice or direction of County in such connection, or which involves or might involve the constitutionality, validity or enforcement of this License. County may also move for dissolution of any such injunction or restraining order or take any other appropriate step, in any such suit, action or proceeding which it may deem necessary or advisable to protect its interests.

Section 21. Compliance with License Conditions and Ordinances. Licensee agrees to conform to, abide by, and perform all the conditions, provisions, requirements, and limitations in this License Agreement. Licensee shall be subject to all County ordinances now in force or hereafter adopted, including all ordinances relating to the use of public rights-of-way by utilities. Licensee agrees that it will not assert any claim against the County that the provisions of this License or any applicable County ordinance or regulation in force at the time of execution of this License are unreasonable, arbitrary or void.

Section 22. Non-Exclusive License. This License and the privileges granted herein shall not be exclusive. The Board of Supervisors expressly reserves the right to grant, at any time, similar franchises, licenses and privileges over the same highways, roads, streets, alleys, and thoroughfares, or any thereof, to any other persons, firms or corporations.

Section 23. Assignment. Licensee hereby agrees that neither this License nor any of Licensee's facilities in the County rights-of-way shall be sold, assigned, or transferred without the prior written approval of the Pima County Board of Supervisors. The decision to approve or deny the sale, assignment or transfer of this License shall be within the sole discretion of the Board of Supervisors and the Board may deny Licensee's request to sell, assign or transfer the License if such denial is in the best interests of the County.

Section 24. County's Contact Information. All notices or contact concerning this License shall be provided in writing to:

Pima County Real Property Services
201 North Stone, 6th Floor
Tucson, Arizona 85701
(520) 740-6313

Section 25. Licensee's Contact Information. Any change in any of the Licensee's contact information below shall be made in writing to the County.

Name: ROBIN M THIM

Title: PRESIDENT, THIM Utility Co

Address: P.O. BOX 13145, TUCSON, AZ 85732

Phone: (520) 290-1255

LICENSEE: Thim Utility CO.

By: _____
ROBIN M. THIM

Title: PRESIDENT

State of Arizona)
) ss
County of Pima)

This instrument was acknowledged before me this 19th day of March, 2007, by Robin Thim, as President of Thim Utility.

_____
Notary Public

My Commission Expires:

_____

PIMA COUNTY, ARIZONA

Chairman, Pima County Board of Supervisors

Date: MAY 01 2007

ATTEST:

Clerk, Pima County Board of Supervisors

Approved as to form:

Deputy County Attorney

Exhibit "B-3"
Records – List of Categories

Records will include all records that seller has in office with the exception of the Three Points area OR records that are combined with the Three Points area until that portion is purchased. These records include but may not be limited to the following:

1. Arizona Corporation Commission
   A. Annual Reports
   B. Tariff and CC&N decisions
   C. Complaints and Inquires
   D. Line Extension Agreements

2. Arizona Department of Revenue
   A. Annual Notice of Value
   B. Annual Property Tax reports

3. Arizona Department of Environmental Quality and PDEQ
   A. Annual Consumer Confidence Reports
   B. Permits
      a. Approval to Construct
      b. Approval Of Construction
      c. Non-Exempt Well Permit
      d. Drinking Water Service Agreements
   C. Drinking Water Compliance Reports
   D. Water testing reports
   E. Sampling Plans
   F. Arsenic remediation information for Lazy B
   G. Nitrate Blending plan history for E & T (Blending is no longer needed)

4. Arizona Department Of Water Resources
   A. Notice of Intent of Serve
   B. Annual Water Withdrawal Reports
   C. Certificate of Assured Water Supply
   D. Hydrology Reports
   E. Well Drilling reports
   F. Annual CAGRD Reports
   G. Water Supply Plans/ Drought Preparedness Plans
   H. Service Area and Operating Distribution System Maps

5. Customer Data Base billing, payment and meter reading history
   A. Automatic draft information
   B. Diablo Village pending services in established subdivisions
   C. Diablo Village line extension refund information

6. Pima County Waste Water
   A. Records of customer information given
   B. Contract
   C. Annual Water Usage Report

7. All available engineering maps

8. All available Invoices of equipment purchasing

Exhibit "C"

Certificates

Diablo Village Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
DEC 21 2006
DOCKETED BY nr

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

IN THE MATTER OF THE APPLICATION OF DIABLO VILLAGE WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.	DOCKET NO. W-02309A-05-0501 DECISION NO. 69206 **OPINION AND ORDER**

DATES OF HEARING:	May 11, 2006 and October 4, 2006
PLACE OF HEARING:	Tucson, Arizona
ADMINISTRATIVE LAW JUDGE:	Jane L. Rodda
APPEARANCES:	Mr. Lawrence V. Robertson Jr., Munger & Chadwick, Attorneys at Law, on behalf of Diablo Village Water Company; Mr. Christopher Avery, Sr. Assistant City Attorney, on behalf of the Intervenor, City of Tucson; and Mr. Christopher Kempley, Chief Counsel, Legal Division, and Ms. Linda Fisher and Mr. David Ronald, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On July 14, 2005, Diablo Village Water Company ("Diablo Village" or "Company") filed an Application for an Extension of its Certificate of Convenience and Necessity ("CCN" or "Certificate") with the Commission.

Motion for Rescheduling of Hearing Date.

16. On February 24, 2006, Staff filed an Amended Staff Report. The Amended Staff Report recommended approval of the requested extension.

17. By Procedural Orders dated February 28, 2006, and April 14, 2006, the matter was set for hearing on May 11, 2006.

18. On April 19, 2006, Diablo Village filed a Curtailment Tariff.

19. The hearing convened before a duly authorized Administrative Law Judge on May, 11, 2006. Margaret Phillips, a principal of the master developer of the property within the proposed extension area, and Sheila Bowen, a professional civil engineer, testified for the Company. Following testimony by two of the Company's witnesses, the hearing was continued indefinitely to allow for additional discovery on issues raised by the City of Tucson and Staff's request for additional water usage data.

20. On June 28, 2006, Diablo Village filed with the Commission a Request for Procedural Conference Relating to Discovery. Diablo Village asserted that the City of Tucson had not responded to Diablo Village's data requests. A Procedural Conference to address the discovery dispute commenced on July 7, 2006. By Procedural Order dated July 10, 2006, the City of Tucson was ordered to respond to data requests by July 21, 2006.

21. On July 3, 2006, Diablo Village filed the testimony of Sheila Bowen concerning updated projected water use data and production and storage capacity of Diablo Village.

22. By Procedural Order dated August 2, 2006, a Procedural Conference convened on August 10, 2006, to determine the status of discovery and whether the matter was ready to be re-set for hearing.

23. By Procedural Order dated August 11, 2006, new deadlines for filing testimony were established and the hearing was rescheduled to commence on October 4, 2006

24. On September 1, 2006, Staff filed a Second Amended Staff Report. The Second Amended Staff Report recommends approval of the Application.

25. On September 27, 2006, Diablo Village filed the supplemental direct and rebuttal testimony of Sheila Bowen and the direct and rebuttal testimony of Robin Thim, owner and president

sell 44,000 ccf per year of potable water. According to Diablo Village's 2005 annual report to the Commission, it purchased approximately 37,000 gallons of water from the City of Tucson in 2005. Section 2.A of the contract with the City of Tucson provides:

> If Company acquires new customers after the effective date of this agreement, the designated capacity shall expand by 190 ccf per residential connection. Company shall not be entitled to expand its designated capacity for customers acquired through the development of subdivisions under the Assured Water Supply requirements of the Arizona Department of Water Resources.

32. Diablo Village believes there may be a disagreement between it and the City of Tucson interpreting section 2.A, and whether water may be purchased from the City of Tucson to service the newly planned subdivision in the proposed extension area. In its analysis of water use and production capacity, Diablo Village assumed that there would be no purchase of water from the City of Tucson. Diablo Village also provided testimony that any water purchased in the future from the City of Tucson could be limited to use by existing customers in its current service area.

33. A new well that will serve the Sonoran Ranch Estates subdivisions is also planned to serve the new Pomegranate Farms subdivision. That well, which had been drilled and was being equipped at the time of the May 2006 hearing, will have a capacity of 550 GPM. In addition, two 5,000 gallon pressure tanks and a 300,000 gallons storage tank are planned. Eventually, Diablo Village will need a third well to serve the Pomegranate Farms area. May 11, 2006 TR at 87. Diablo Village calculates that at build-out of the Pomegranate Farms subdivision, with a fire station, school and commercial development, the Company would need additional storage of 363,629 gallons and additional well capacity of 941 GPM.[3]

34. Staff's Engineering Report indicates that the additional well and proposed storage should be sufficient to serve the extension area and to serve the expected growth in the existing service area.

35. Diablo Village has obtained an Approval to Construct from the Pima County Department of Environmental Quality for the new 550 GPM well and the two 5,000 gallon pressure

[3] The Company testified that existing wells could be re-equipped such that a new well would only need to provide additional capacity of 343 GPM. Oct. 4, 2006 TR. at 18.

43. Staff further recommends that:

(a) Diablo Village submit a copy of Pima County's Approval to Construct for the proposed 300,000 gallon storage tank as a compliance item within one year of the effective date of an Order approving the requested extension;

(b) Although the Company has filed a curtailment tariff, it has since changed its plans in a manner that impacts the form of a proper curtailment tariff. Therefore, Staff recommends the Company file a curtailment tariff in Docket Control as a compliance item within 45 days of the Decision in this case;

(c) Diablo Village shall have the wells transferred into its name and file as a compliance item with Docket Control within six months of the effective date of an order approving the requested extension, a copy of ADWR documents showing that the wells are owned by Diablo Village Water Company.

(d) The Company file a copy of the developer's Certificate of Assured Water Supply from ADWR for Section 18 with Docket Control as a compliance item within one year of the effective date of a Decision approving the extension.[4]

(e) Diablo Village keep its accounts according to the NARUC system of accounts as required by R14-2-411.D; and that Diablo Village should file in Docket Control as a compliance item, a statement from a Certified Public Accountant indicating that the Company's books and records are being kept in compliance with the NARUC system of accounts within six months of the date of the Decision in this case;

(f) Due to the poor financial health of Diablo Village as indicated by it most recent annual report, and due to its rate structure that does not encourage conservation, Diablo Village should file a rate case by June 30, 2007, using a calendar year 2006 test year;

(g) If Diablo Village does not comply with the conditions listed above within the time specified, the approval of the extension should be null and void after due process.

44. Because the proposed extension area is outside City limits where rate payers have no

[4] During the hearing Staff agreed that 18 months to obtain and file proof of the developer's Certificate of Assured Water Supply would be reasonable.

49. With respect to Staff's recommendation in Findings of Fact No. 43, subparagraph (b) above, during the course of the hearing Diablo Village filed a revised curtailment tariff reflecting the changes to the development plans concerning the pomegranate farm. Exhibit A-17. Staff reviewed that revised curtailment tariff and finds that the Company has complied with Staff's recommendation. October 4, 2006 TR at 144.

50. The Company accepts all of Staff's recommendations set forth in Findings of Fact No. 43.

51. Because an allowance for the property tax expense of Diablo Village 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 ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a preventive measure Diablo Village should 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.

52. The Commission is concerned about the potential rate impact of the new growth on Diablo's existing customers. Therefore, the Company shall file a hook-up fee tariff for Commission review no later than February 1, 2007.

CONCLUSIONS OF LAW

1. Diablo Village is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

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

3. Notice of the application was provided in accordance with law.

4. There is a public need and necessity for water service in the proposed extension area set forth in Exhibit A.

5. Diablo Village is a fit and proper entity to receive a CC&N to provide water service in the proposed extension area.

IT IS FURTHER ORDERED that in light of the on-going drought conditions in central Arizona and the need to conserve groundwater, Diablo Village Water Company is prohibited from selling groundwater for the purpose of irrigating any golf courses within the certificated expansion areas or any ornamental lakes or water features located in the common areas of the proposed new developments within the certificated expansion areas.

IT IS FURTHER ORDERED that Diablo Village Water 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.

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, BRIAN C. McNEIL, 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., 2006.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

EXHIBIT A

Legal Description of Extension Area

Section 18 Township 15S, Range 12E, Gila and Salt River Base and Meridian, Pima County, Arizona.

Arizona Corporation Commiss
DOCKETED

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

AUG 2 2 2002

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF DIABLO VILLAGE WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-02309A-02-0089

DECISION NO. 65131

OPINION AND ORDER

DATE OF HEARING: June 20, 2002

PLACE OF HEARING: Tucson, Arizona

ADMINISTRATIVE LAW JUDGE: Jane L. Rodda

APPEARANCES: Robin Thim, Owner and President, Diablo Village Water Company; and

Ms. Janice Alward, Assistant Chief Counsel, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On February 4, 2002, Diablo Village Water Company ("Diablo" or "Company") filed an application for an extension to its Certificate of Convenience and Necessity ("Certificate" or "CC&N") to provide water service in portions of Pima County, Arizona.

2. On May 1, 2002, the Commission's Utilities Division Staff ("Staff") filed its Staff Report recommending that the application be approved.

3. By Procedural Order dated May 8, 2002, a hearing in the matter was set for June 20, 2002, in Tucson, Arizona.

4. Pursuant to the May 8, 2002, Procedural Order, Diablo mailed notice of the hearing to its customers and to all property owners within the proposed extension area on May 15, and 16, 2002.

5. A hearing convened as scheduled on June 20, 2002.

6. The Commission granted Diablo a CC&N in Decision No. 48673 (February 1, 1978).

7. Diablo is located southwest of the City of Tucson, on Valencia Road, eight miles west of I-19. Its current service area comprises approximately a 1 3/4 square mile area.

8. Diablo currently serves approximately 215 customers.

9. Diablo has a service agreement with the City of Tucson under which the City agrees to provide the Company with water based on the previous year's designated capacity plus 19,000 cubic feet per year per additional connection to the Company's water system during the preceding year. Diablo receives its entire water supply from the City of Tucson.

10. The proposed extension area comprises an additional 3/4 square mile area and is contiguous to the Company's current service area. The legal description of the proposed extension area is attached hereto as Exhibit A.

11. There are approximately 100 property owners in the proposed extension area. Because the area is not an approved subdivision, many residences were constructed without permits, and it is difficult to determine how many residences are actually within the extension area. There is no other water provider located in the area. Current residents have or share wells, or haul water for their needs. The City of Tucson has facilities nearby, but the cost of extending the City's facilities into the area is too high for residents of this relatively low-income area to finance. Staff has confirmed that the Company has received written requests for service from residents in the proposed extension area. During public comment several members of the public living in the proposed extension area spoke of the need for water service in the area and in favor of allowing Diablo to extend into their neighborhood.

12. The Company estimates that 70 additional customers will be served in the requested area by the end of the fifth year.

13. Based on the Company's current usage data, Staff estimates that a minimum of 33,449,666 gallons of water per year will be needed to serve the projected customer base in the existing and proposed service area. Based on the water service agreement with the City of Tucson, Diablo will obtain 35,958,000 gallons of water by the end of the fifth year. Thus, Staff believes there is adequate water supply available to serve the current and future customers of Diablo.

14. The Company estimates that the cost to construct the facilities to serve customers in the proposed extension area to be approximately $50,000.[1] The Company testified that the facilities will be financed by prospective customers in the proposed extension area, or through a grant.

15. Staff recommends that in the event Diablo enters into a main extension agreement to finance the extension of facilities within the proposed extension area, that the agreement comply with the Commission's rules on main extension agreements, A.A.C. R14-2-406.

16. Diablo is within the Tucson Active Management Area, but because Diablo is a secondary water provider that purchases water from the City of Tucson, it is not subject to the Arizona Department of Water Resources groundwater management regulations.

17. The Company is in compliance with all Commission orders.

18. Diablo is in compliance with Arizona Department of Environmental Quality ("ADEQ") regulations. ADEQ has determined that the system is currently delivering water that meets water quality standards of the Safe Drinking Water Act.

19. The Company is current on all taxes.

20. Staff further recommends that:

(a) Diablo charge its existing rates and charges in the proposed extension area.

(b) Diablo file with the Director of the Utilities Division the appropriate main extension agreement, or agreements, associated with extending the facilities in the extension area.

(c) Diablo provide a copy of its county franchise for the proposed extension area within 365 days of any Decision in this matter.

(d) The Commission's Decision granting the extension to Diablo's Certificate be considered null and void without further order from the Commission should Diablo fail to meet any of the above conditions within the time specified.

CONCLUSIONS OF LAW

1. Diablo is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

[1] Residents stated during public comment that the City could not extend the facilities for less than $250,000.

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

3. Notice of the application was provided in accordance with law.

4. There is a public need and necessity for water service in the proposed extension service territory as set forth in Exhibit A.

5. Diablo is a fit and proper entity to receive a Certificate to provide water service in the proposed extension area.

6. Staff's recommendations contained in Findings of Fact Nos. 15 and 20 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the application of Diablo Village Water Company for an extension of its Certificate of Convenience and Necessity to provide water service to the area in Pima County, Arizona, described in Exhibit A hereto, is approved.

IT IS FURTHER ORDERED that Diablo Village Water Company shall charge its existing rates and charges within the extension area.

IT IS FURTHER ORDERED that Diablo Village Water Company shall file with the director of the Utilities Division, all main extension agreements consistent with Commission rules.

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IT IS FURTHER ORDERED that Diablo Village Water Company shall file within 365 days of the effective date of this Decision, a copy of its franchise from Pima County applicable to the extension area, and that Diablo Village Water Company's failure to comply with this requirement shall result in its Certificate of Convenience and Necessity for the extension area becoming null and void without further action by the Commission.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 22ND day of AUGUST, 2002.

for BCM

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
JR:dap

SERVICE LIST FOR: DIABLO VILLAGE WATER COMPANY

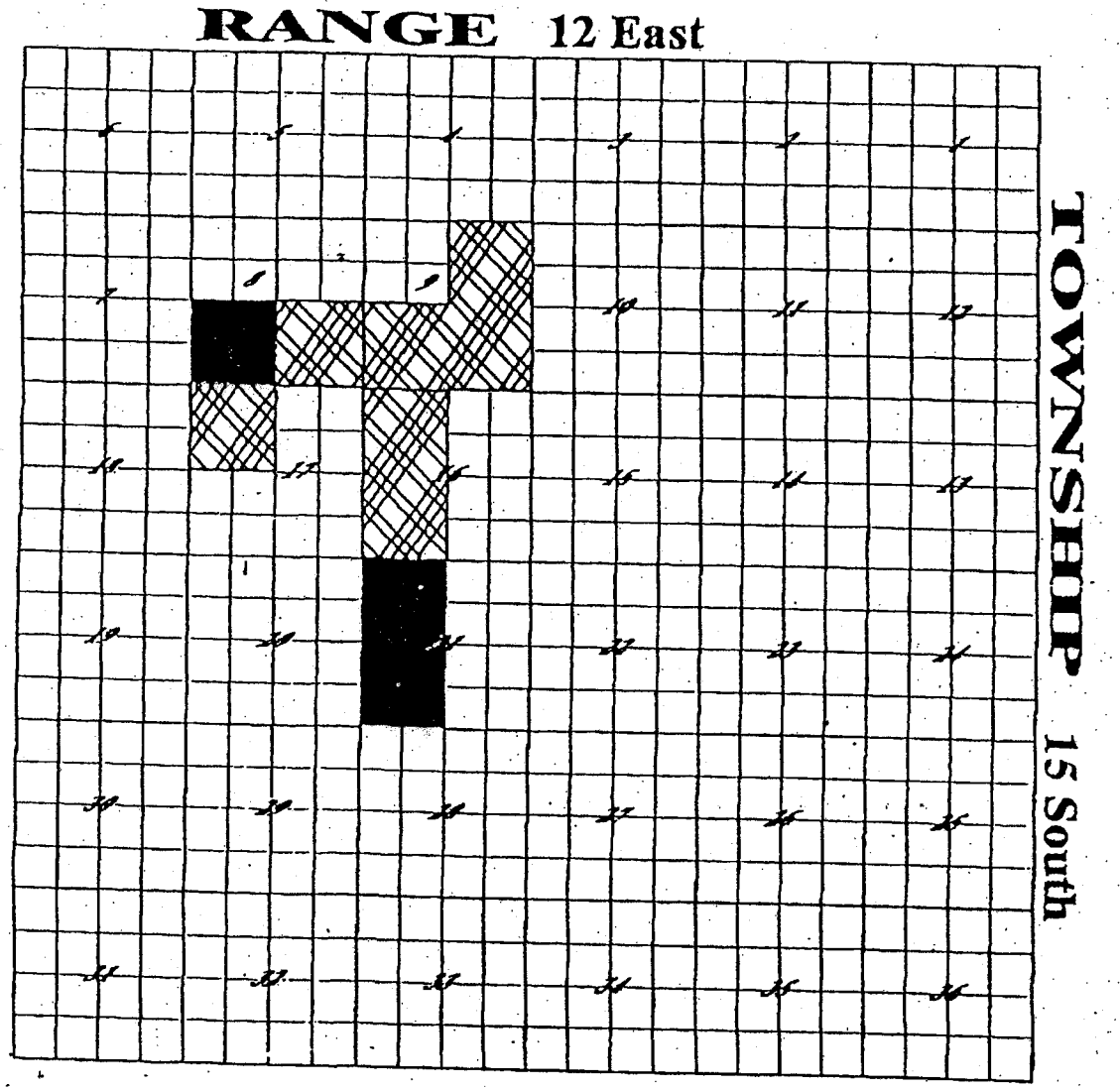
DOCKET NO.: W-02309A-02-0089

Robin M. Thim, President
Diablo Village Water Company
P.O. Box 13145
Tucson, AZ 85732

Mr. Christopher Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COUNTY: *Pima*



W-2309 (1)
Diablo Village Water Company

Diablo Village Water Company
Docket No. W-2309-02-089
Application for Extension

Legal Description of Proposed Extension Area:

Sw ¼ of Section 8, and the W ½ of Section 21, T15S, R12E, GSRB&M, Pima County, Arizona

TRISSUE 13 JUL 1987

Decision No. 65131

Arizona Corporation Commission
DOCKETED

BEFORE THE ARIZONA CORPORATION COMMISSION

AUG 2 2 2002

DOCKETED BY

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF DIABLO VILLAGE WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-02309A-02-0089

DECISION NO. 65131

OPINION AND ORDER

ARIZONA CORPORATION COMMISSION
RECEIVED
AUG 2 3 2002

DATE OF HEARING: June 20, 2002

PLACE OF HEARING: Tucson, Arizona

ADMINISTRATIVE LAW JUDGE: Jane L. Rodda

APPEARANCES: Robin Thim, ~~Owner and President, Diablo~~ Director of Utilities Village Water Company; and

Ms. Janice Alward, Assistant Chief Counsel, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On February 4, 2002, Diablo Village Water Company ("Diablo" or "Company") filed an application for an extension to its Certificate of Convenience and Necessity ("Certificate" or "CC&N") to provide water service in portions of Pima County, Arizona.

2. On May 1, 2002, the Commission's Utilities Division Staff ("Staff") filed its Staff Report recommending that the application be approved.

3. By Procedural Order dated May 8, 2002, a hearing in the matter was set for June 20, 2002, in Tucson, Arizona.

4. Pursuant to the May 8, 2002, Procedural Order, Diablo mailed notice of the hearing to its customers and to all property owners within the proposed extension area on May 15, and 16, 2002.

5. A hearing convened as scheduled on June 20, 2002.

6. The Commission granted Diablo a CC&N in Decision No. 48673 (February 1, 1978).

7. Diablo is located southwest of the City of Tucson, on Valencia Road, eight miles west of I-19. Its current service area comprises approximately a 1 3/4 square mile area.

8. Diablo currently serves approximately 215 customers.

9. Diablo has a service agreement with the City of Tucson under which the City agrees to provide the Company with water based on the previous year's designated capacity plus 19,000 cubic feet per year per additional connection to the Company's water system during the preceding year. Diablo receives its entire water supply from the City of Tucson.

10. The proposed extension area comprises an additional 3/4 square mile area and is contiguous to the Company's current service area. The legal description of the proposed extension area is attached hereto as Exhibit A.

11. There are approximately 100 property owners in the proposed extension area. Because the area is not an approved subdivision, many residences were constructed without permits, and it is difficult to determine how many residences are actually within the extension area. There is no other water provider located in the area. Current residents have or share wells, or haul water for their needs. The City of Tucson has facilities nearby, but the cost of extending the City's facilities into the area is too high for residents of this relatively low-income area to finance. Staff has confirmed that the Company has received written requests for service from residents in the proposed extension area. During public comment several members of the public living in the proposed extension area spoke of the need for water service in the area and in favor of allowing Diablo to extend into their neighborhood.

12. The Company estimates that 70 additional customers will be served in the requested area by the end of the fifth year.

13. Based on the Company's current usage data, Staff estimates that a minimum of 33,449,666 gallons of water per year will be needed to serve the projected customer base in the existing and proposed service area. Based on the water service agreement with the City of Tucson, Diablo will obtain 35,958,000 gallons of water by the end of the fifth year. Thus, Staff believes there is adequate water supply available to serve the current and future customers of Diablo.

14. The Company estimates that the cost to construct the facilities to serve customers in the proposed extension area to be approximately $50,000.[1] The Company testified that the facilities will be financed by prospective customers in the proposed extension area, or through a grant.

15. Staff recommends that in the event Diablo enters into a main extension agreement to finance the extension of facilities within the proposed extension area, that the agreement comply with the Commission's rules on main extension agreements, A.A.C. R14-2-406.

16. Diablo is within the Tucson Active Management Area, but because Diablo is a secondary water provider that purchases water from the City of Tucson, it is not subject to the Arizona Department of Water Resources groundwater management regulations.

17. The Company is in compliance with all Commission orders.

18. Diablo is in compliance with Arizona Department of Environmental Quality ("ADEQ") regulations. ADEQ has determined that the system is currently delivering water that meets water quality standards of the Safe Drinking Water Act.

19. The Company is current on all taxes.

20. Staff further recommends that:

(a) Diablo charge its existing rates and charges in the proposed extension area.

(b) Diablo file with the Director of the Utilities Division the appropriate main extension agreement, or agreements, associated with extending the facilities in the extension area.

(c) Diablo provide a copy of its county franchise for the proposed extension area within 365 days of any Decision in this matter.

(d) The Commission's Decision granting the extension to Diablo's Certificate be considered null and void without further order from the Commission should Diablo fail to meet any of the above conditions within the time specified.

CONCLUSIONS OF LAW

1. Diablo is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

[1] Residents stated during public comment that the City could not extend the facilities for less than $250,000.

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

3. Notice of the application was provided in accordance with law.

4. There is a public need and necessity for water service in the proposed extension service territory as set forth in Exhibit A.

5. Diablo is a fit and proper entity to receive a Certificate to provide water service in the proposed extension area.

6. Staff's recommendations contained in Findings of Fact Nos. 15 and 20 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the application of Diablo Village Water Company for an extension of its Certificate of Convenience and Necessity to provide water service to the area in Pima County, Arizona, described in Exhibit A hereto, is approved.

IT IS FURTHER ORDERED that Diablo Village Water Company shall charge its existing rates and charges within the extension area.

IT IS FURTHER ORDERED that Diablo Village Water Company shall file with the director of the Utilities Division, all main extension agreements consistent with Commission rules.

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IT IS FURTHER ORDERED that Diablo Village Water Company shall file within 365 days of the effective date of this Decision, a copy of its franchise from Pima County applicable to the extension area, and that Diablo Village Water Company's failure to comply with this requirement shall result in its Certificate of Convenience and Necessity for the extension area becoming null and void without further action by the Commission.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 22ND day of AUGUST, 2002.

for BCM

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
JR:dap

SERVICE LIST FOR: DIABLO VILLAGE WATER COMPANY

DOCKET NO.: W-02309A-02-0089

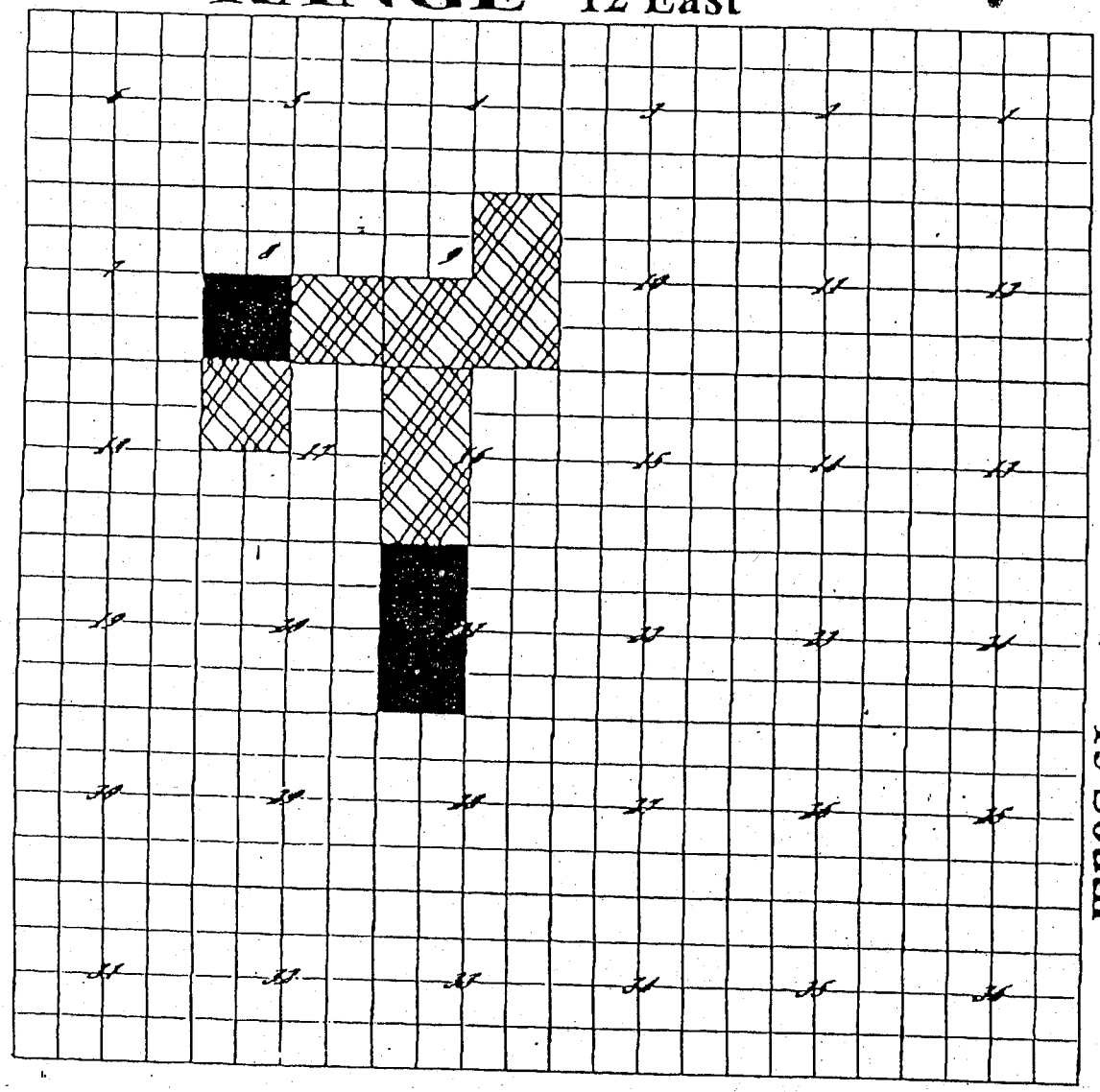
Robin M. Thim, President
Diablo Village Water Company
P.O. Box 13145
Tucson, AZ 85732

Mr. Christopher Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COUNTY: *Pima*

RANGE 12 East



TOWNSHIP 15 South

W-2309 (1)
Diablo Village Water Company

Diablo Village Water Company
Docket No. W-2309-02-089
Application for Extension

Legal Description of Proposed Extension Area:

Sw ¼ of Section 8, and the W ½ of Section 21, T15S, R12E, GSRB&M, Pima County, Arizona

THISSLER 15 JUL 1997

Decision No. 65131

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
NOV 19 1999
DOCKETED BY sd

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

IN THE MATTER OF THE APPLICATION OF DIABLO VILLAGE WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-02309A-98-0647

DECISION NO. 62089

OPINION AND ORDER

DATE OF HEARING: May 13, 1999, August 4, 1999, October 20, 1999

PLACE OF HEARING: Tucson, Arizona

PRESIDING OFFICER: Jane L. Rodda

APPEARANCES: Mr. Robin Thim, on behalf of Diablo Village Water Company;

Mr. Joseph Cesare, on behalf of SVA Corporation, Intervenor;

Mr. Christopher Avery, Assistant City Attorney, on behalf of the City of Tucson, Intervenor ; and

Mr. Robert Metli, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On November 10, 1998, Diablo Village Water Company ("Diablo") filed an application to extend it existing Certificate of Convenience and Necessity ("Certificate").

2. On February 19, 1999, Diablo amended its application by deleting certain areas from its original request.

3. Diablo's amended application sought extension of its Certificate to include the west half of Section 16, Township 15 South, Range 12 East, Pima County, GSRB&M.

4. On March 16, 1999, the Commission's Utility's Division Staff ("Staff") filed its Staff

Report recommending approval of the extension request.

5. Pursuant to Procedural Order dated April 2, 1999, the matter was set for hearing on May 13, 1999, in Tucson, Arizona.

6. Diablo mailed notice of the hearing to all property owners in the proposed extension area on April 14, 1999.

7. The May 13, 1999 hearing was held as scheduled with no party objecting to the application.

8. Subsequent to the May 13, 1999 hearing, SVA Corporation, the owner of a large portion of the proposed extension area, objected to the inclusion of its property in Diablo's service area because SVA Corporation's property was going to served by Tucson Water. On June 7, 1999, SVA Corporation requested intervention in the matter.

9. On June 22, 1999, the City of Tucson requested intervention and moved for the hearing to be reopened.

10. On July 9, 1999, the Hearing Officer granted intervention to SVA Corporation and the City of Tucson and scheduled a second hearing for August 4, 1999.

11. On July 23, 1999, Staff filed a revised Staff Report and recommended that the property owned by SVA Corporation or its principals be deleted from the proposed extension area.

12. A hearing was held on August 4, 1999, at which time intervenors SVA Corporation and the City of Tucson appeared in addition to representatives of Diablo and Staff.

13. At the August 4, 1999 hearing, Diablo agreed to withdraw its application for all areas owned by SVA Corporation and its principals. At the August 4, 1999 hearing, SVA Corporation expressed its desire to acquire the remaining portion of the proposed extension area which area was owned by Standard Charter Bank. Diablo agreed that if SVA Corporation or its principals acquired the Standard Charter Bank parcel, Diablo would withdraw its application with regard to that parcel as well. The parties agreed to continue the hearing for approximately 60 days to determine whether SVA would acquire the remaining parcel.

14. By Procedural Order dated October 1, 1999, a hearing was set for October 20, 1999

because SVA Corporation had not provided evidence that it had acquired the Standard Charter Bank parcel.

15. On the day before the October 20, 1999 hearing, SVA Corporation provided evidence that indicated it was in the process of acquiring the Standard Charter Bank parcel and that this parcel would be served by Tucson Water.

16. The October 20, 1999 hearing convened as scheduled, at which time Diablo agreed to withdraw the remainder of its application.

CONCLUSIONS OF LAW

1. Diablo is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

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

3. Notice of the application was provided in accordance with law.

4. Diablo has withdrawn its application to extend its certificated area and the application should be dismissed.

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ORDER

IT IS THEREFORE ORDERED that the application of Diablo Water Company to extend its Certificate of Convenience and Necessity is dismissed.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 19th day of November 1999.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
JR:dap

SERVICE LIST FOR: DIABLO WATER COMPANY

DOCKET NO.: W-02309A-98-0647

Robin Thim
Diablo Village Water Company
P.O. Box 13145
Tucson, Arizona 85732

Joseph R. Cesare, Vice President
S.V.A. Corporation
P.O. Box 12863-85732
4855 E. Broadway, Suite 103
Tucson, Arizona 85711

Thomas J. Berning, City Attorney
Christopher E. Avery, Sr. Assistant City Attorney
City of Tucson
P.O. Box 27210
Tucson, Arizona 85726-7210

Lyn Farmer, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

Deborah Scott, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
FEB 1 1978
DOCKETED BY

ERNEST GARFIELD
Chairman
BUD TIMS
Commissioner
JIM WEEKS
Commissioner

IN THE MATTER OF THE APPLICATION OF DIABLO VILLAGE WATER COMPANY, AN ARIZONA CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING IT TO CONDUCT AND CARRY ON A BUSINESS OF DISTRIBUTING AND SELLING DOMESTIC WATER AS A PUBLIC SERVICE CORPORATION.

DOCKET NO. U-2309 DECISION NO. 48673

OPINION AND ORDER

BY THE COMMISSION:

On September 14, 1977, by Decision No. 48266, this Commission issued an order preliminary to the issuance of the certificate of convenience and necessity to Diablo Village Water Company, an Arizona corporation, wherein it was stated that unless the franchise from the Pima County Board of Supervisors and written approval of the State Department of Health were filed within six (6) months from the date of that order, the order preliminary to the issuance of the certificate of convenience and necessity would become null and void.

On January 23, 1978, both of the above-mentioned documents were received in this office.

The Commission is now of the opinion that the public interest would best be served by granting a certificate of convenience and necessity at this time to Diablo Village Water Company.

WHEREFORE, IT IS ORDERED that this order shall constitute and be a certificate of convenience and necessity, pursuant to §40-281, Arizona Revised Statutes, authorizing Diablo Village Water Company to construct, operate and maintain a domestic water utility in the area described as the Southeast Quarter (SE¼) of Section 8; the South Half (S½) and the Northeast Quarter (NE¼) of Section 9; the West Half (W½) of Section 16; and, the Northwest Quarter (NW¼) of Section 17, all in Township 15 South, Range 12 East, G&SRB&M, Pima County, Arizona.

IT IS FURTHER ORDERED that the rates approved and which shall be charged are as follows:

$7.50 minimum for the first 4,000 gallons or less water used per month per customer

$0.75 per 1,000 gallons water used in excess of the minimum per month per customer

DOCKET NO. U-2309 DECISION NO. 48673

IT IS FURTHER ORDERED that all services shall be metered at the time the initial connection is made.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, R. J. BARTOL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 1st day of February, 1978.

R. J. BARTOL
EXECUTIVE SECRETARY

mail room

BEFORE THE ARIZONA CORPORATION COMMISSION

ERNEST GARFIELD
Chairman
BUD TIMS
Commissioner
JIM WEEKS
Commissioner

IN THE MATTER OF THE APPLICATION OF DIABLO VILLAGE WATER COMPANY, AN ARIZONA CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING IT TO CONDUCT AND CARRY ON A BUSINESS OF DISTRIBUTING AND SELLING DOMESTIC WATER AS A PUBLIC SERVICE CORPORATION.

DOCKET NO. U-2309 DECISION NO. 48673

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On January 23, 1978, both of the above-mentioned documents were received in this office.

The Commission is now of the opinion that the public interest would best be served by granting a certificate of convenience and necessity at this time to Diablo Village Water Company.

WHEREFORE, IT IS ORDERED that this order shall constitute and be a certificate of convenience and necessity, pursuant to §40-281, Arizona Revised Statutes, authorizing Diablo Village Water Company to construct, operate and maintain a domestic water utility in the area described as the Southeast Quarter (SE¼) of Section 8; the South Half (S½) and the Northeast Quarter (NE¼) of Section 9; the West Half (W½) of Section 16; and, the Northwest Quarter (NW¼) of Section 17, all in Township 15 South, Range 12 East, G&SRB&M, Pima County, Arizona.

IT IS FURTHER ORDERED that the rates approved and which shall be charged are as follows:

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DOCKET NO. U-2309 DECISION NO. 48673

IT IS FURTHER ORDERED that all services shall be metered at the time the initial connection is made.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, R. J. BARTOL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 1st day of February, 1978.

R. J. BARTOL
EXECUTIVE SECRETARY

EDeC/kk

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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
SEP 14 1977
DOCKETED BY

BUD TIMS
Chairman
ERNEST GARFIELD
Commissioner
JIM WEEKS
Commissioner

IN THE MATTER OF THE APPLICATION OF DIABLO VILLAGE WATER COMPANY, AN ARIZONA CORPORATION, FOR AN ORDER PRELIMINARY TO THE ISSUANCE OF A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING IT TO CONDUCT AND CARRY ON A BUSINESS OF DISTRIBUTING AND SELLING DOMESTIC WATER AS A PUBLIC SERVICE CORPORATION.	DOCKET NO. U-2309 DECISION NO. 48266 OPINION AND ORDER

DATE OF HEARING: July 7, 1977

PLACE OF HEARING: Tucson, Arizona

HEARING OFFICER: Evo J. De Concini

APPEARANCES: Bilby, Shoenhair, Warnock & Dolph, by Marvin S. Cohen, Attorneys for Diablo Village Water Company;

Dan O'Neill, Deputy City Attorney, on behalf of the City of Tucson;

Jack Jenkins, Investigator, Utilities Division, Arizona Corporation Commission.

OPINION

1. Applicant seeks to certificate approximately 1,440 acres in an area southwest of Tucson, Arizona, described as the Southeast Quarter (SE-1/4) of Section 8; the South Half (S-1/2) and the Northeast Quarter (NE-1/4) of Section 9; all of Section 16; the Northwest Quarter (NW-1/4) of Section 17, all in Township 15 South, Range 12 East, G&SRB&M, Pima County, Arizona.

2. Applicant owns or has beneficial interest in all of the property sought to be certificated except the East Half (E-1/2) of Section 16, Township 15 South, Range 12 East, G&SRB&M, Pima County, Arizona.

3. At the hearing, the Hearing Officer was concerned with the adequacy of the notice given to the owners of the East Half (E-1/2) of Section 16. Subsequent to the hearing, Applicant requested said East Half of Section 16 be deleted from the Application.

4. Applicant is in the process of filing for a franchise from the Pima County Board of Supervisors.

5. Upon approval of subject request for an Order Preliminary, Applicant is prepared to obtain necessary approval from the State Health Department.

6. The Commission feels the Applicant is a fit and proper entity to hold a Certificate of Convenience and Necessity.

7. According to the testimony and exhibits submitted at the hearing, Applicant is financially capable of installing and maintaining the necessary facilities to provide adequate service to future users.

8. Applicant proposes to charge the following monthly rates:

$7.50 minimum for the first 4,000 gallons, plus,

$ .75 per 1,000 gallons in excess of the minimum.

9. Applicant stated that the need for Certification is immediate since the area is to be developed into low cost, Federally subsidized housing. Initial development consists of 120 homes for which subsidy commitments have been obtained.

10. The City of Tucson appeared in opposition to this Application on the grounds that there are adequate City facilities in or near the area sought to be certificated and thatthe City was ready, willing and able to provide service to the proposed subdivision.

11. The Commission is of the opinion that granting the requested Order Preliminary to the owner and developer of the property is in the public interest.

...

ORDER

WHEREFORE, IT IS ORDERED, that Diablo Village Water Company, an Arizona corporation, be and is hereby issued an Order Preliminary to the issuance of a Certificate of Convenience and Necessity for the following area:

> The SE-1/4 of Section 8; the S-1/2 and the NE-1/4 of Section 9; the W-1/2 of Section 16, and the NW-1/4 of Section 17, all in T15S, R12E, G&SRB&M, Pima County, Arizona.

and

IT IS FURTHER ORDERED, that the rates shall be:

> $7.50 minimum for the first 4,000 gallons or less, plus,
>
> $ .75 per 1,000 gallons in excess of the minimum.

and

IT IS FURTHER ORDERED, that unless all requirements are met and a Certificate of Convenience and Necessity is obtained within six (6) months from the date of this Order, subject Order Preliminary shall become null and void.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, DONALD E. VANCE, Secretary of the Corporation Commission, have hereunto set my hand and caused the official seal of the Arizona Corporation Commission to be affixed at the Capitol, in the City of Phoenix, this 14th day of September, 1977.

DONALD E. VANCE
Executive Secretary

May 2001

EDeC/kk

BEFORE THE ARIZONA CORPORATION COMMISSION

BUD TIMS
Chairman
ERNEST GARFIELD
Commissioner
JIM WEEKS
Commissioner

IN THE MATTER OF THE APPLICATION OF DIABLO VILLAGE WATER COMPANY, AN ARIZONA CORPORATION, FOR AN ORDER PRELIMINARY TO THE ISSUANCE OF A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING IT TO CONDUCT AND CARRY ON A BUSINESS OF DISTRIBUTING AND SELLING DOMESTIC WATER AS A PUBLIC SERVICE CORPORATION.	DOCKET NO. U-2309 DECISION NO. 48266 OPINION AND ORDER

DATE OF HEARING: July 7, 1977

PLACE OF HEARING: Tucson, Arizona

HEARING OFFICER: Evo J. De Concini

APPEARANCES: Bilby, Shoenhair, Warnock & Dolph, by Marvin S. Cohen, Attorneys for Diablo Village Water Company;

Dan O'Neill, Deputy City Attorney, on behalf of the City of Tucson;

Jack Jenkins, Investigator, Utilities Division, Arizona Corporation Commission.

OPINION

1. Applicant seeks to certificate approximately 1,440 acres in an area southwest of Tucson, Arizona, described as the Southeast Quarter (SE-1/4) of Section 8; the South Half (S-1/2) and the Northeast Quarter (NE-1/4) of Section 9; all of Section 16; the Northwest Quarter (NW-1/4) of Section 17, all in Township 15 South, Range 12 East, G&SRB&M, Pima County, Arizona.

2. Applicant owns or has beneficial interest in all of the property sought to be certificated except the East Half (E-1/2) of Section 16, Township 15 South, Range 12 East, G&SRB&M, Pima County, Arizona.

3. At the hearing, the Hearing Officer was concerned with the adequacy of the notice given to the owners of the East Half (E-1/2) of Section 16. Subsequent to the hearing, Applicant requested said East Half of Section 16 be deleted from the Application.

4. Applicant is in the process of filing for a franchise from the Pima County Board of Supervisors.

5. Upon approval of subject request for an Order Preliminary, Applicant is prepared to obtain necessary approval from the State Health Department.

6. The Commission feels the Applicant is a fit and proper entity to hold a Certificate of Convenience and Necessity.

7. According to the testimony and exhibits submitted at the hearing, Applicant is financially capable of installing and maintaining the necessary facilities to provide adequate service to future users.

8. Applicant proposes to charge the following monthly rates:

$7.50 minimum for the first 4,000 gallons, plus,

$ .75 per 1,000 gallons in excess of the minimum.

9. Applicant stated that the need for Certification is immediate since the area is to be developed into low cost, Federally subsidized housing. Initial development consists of 120 homes for which subsidy commitments have been obtained.

10. The City of Tucson appeared in opposition to this Application on the grounds that there are adequate City facilities in or near the area sought to be certificated and that the City was ready, willing and able to provide service to the proposed subdivision.

11. The Commission is of the opinion that granting the requested Order Preliminary to the owner and developer of the property is in the public interest.

...

ORDER

WHEREFORE, IT IS ORDERED, that Diablo Village Water Company, an Arizona corporation, be and is hereby issued an Order Preliminary to the issuance of a Certificate of Convenience and Necessity for the following area:

> The SE-1/4 of Section 8; the S-1/2 and the NE-1/4 of Section 9; the W-1/2 of Section 16, and the NW-1/4 of Section 17, all in T15S, R12E, G&SRB&M, Pima County, Arizona.

and

IT IS FURTHER ORDERED, that the rates shall be:

> $7.50 minimum for the first 4,000 gallons or less, plus,
>
> $ .75 per 1,000 gallons in excess of the minimum.

and

IT IS FURTHER ORDERED, that unless all requirements are met and a Certificate of Convenience and Necessity is obtained within six (6) months from the date of this Order, subject Order Preliminary shall become null and void.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, DONALD E. VANCE, Secretary of the Corporation Commission, have hereunto set my hand and caused the official seal of the Arizona Corporation Commission to be affixed at the Capitol, in the City of Phoenix, this 14th day of September, 1977.

DONALD E. VANCE
Executive Secretary

Exhibit "C"
Certificates

Thim Utility Co.

(E & T Division)

BEFORE THE ARIZONA CORPORATION C

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

Arizona Corporation Commission
DOCKETED
NOV 3 0 2000

IN THE MATTER OF THE APPLICATION OF THIM UTILITY CO. (E & T DIVISION) FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03293A-00-0425

DECISION NO. 63196

OPINION AND ORDER

DATE OF HEARING: October 20. 2000

PLACE OF HEARING: Tucson. Arizona

PRESIDING OFFICER: Jane L. Rodda

APPEARANCES: Robin Thim. President. Thim Utility Company: and

Christopher Kempley, Assistant Chief Counsel. Arizona Corporation Commission, on behalf of the Utilities Division.

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises. the Arizona Corporation Commission ("Commission") finds. concludes. and orders that:

FINDINGS OF FACT

1. Thim Utility Company (E & T Division) ("TUC" or "Company") provides water utility service to approximately 274 customers in Pima County. Arizona.

2. On June 16. 2000. TUC filed an application to extend its Certificate of Convenience and Necessity ("CC&N" or "Certificate") to include an additional 3/4 of a section of land located contiguous to its current certificated area. The application requested a portion of Section 5 and a portion of Section 6 of Township 16S. Range 14E in Pima County.

3. TUC is seeking to extend its certificated area to acquire a new well site and to serve 34 customers currently being served by a private well.

4. On July 17. 2000. the Commission's Utilities Division Staff ("Staff") notified the Company that the application was sufficient.

5. By Procedural Orders dated July 21, 2000 and October 5, 2000, the Commission set the matter for hearing at its offices in Tucson, Arizona on October 20, 2000.

6. Staff filed its Staff Report on September 26, 2000, in which it recommended approval of the application.

7. On August 11, 2000, TUC provided notice of the hearing by mailing notice to each of its customers and published the notice in a newspaper of general circulation in the proposed area on August 5, 2000.

8. Testing of TUC's existing well has indicated a higher than permitted level of nitrates which has required the Company to blend its well water with water purchased from the City of Tucson to provide water with no maximum contaminant level ("mcl") violations. In Decision No. 62651 (June 13, 2000) the Commission granted TUC an emergency rate increase because of the extra operating costs associated with purchasing water. Pursuant to Decision No. 62651, TUC filed for a permanent rate increase on August 15, 2000.[1]

9. TUC believes that it's most cost effective solution to the nitrate problem is to acquir new well site. Arizona Department of Water Resource regulations require that TUC's new well site be located within its certificated area or within 660 feet of an existing transmission line.

10. TUC plans to either acquire the existing well that serves a wildcat subdivision in Section 6 or to drill its own well in the proposed extension area to provide water for blending to serve its current customers and to serve the 34 homes currently receiving water from the private well. TUC reports that it has received a request for service from residents currently living in the proposed extension area.

11. The Arizona Department of Environmental Quality ("ADEQ") reports that TUC is in violation of its regulations for failing to have an approved blending plan and for not submitting initial tests for lead and copper, and that consequently, it cannot determine if TUC is currently providing water that does not exceed any MCL and meets Safe Drinking Water Act quality standards.

12. TUC reports that Pima County Department of Environmental Quality has approved its

[1] At the public comment session associated with the current application most of the customers who appeared had complaints about the rates, although they also expressed concern about the water quality.

blending plan, but that the approval is not reflected in ADEQ's records. Pursuant to a requirement contained in Decision No. 62651, TUC provided documentation that the lead and copper tests had been performed.

13. TUC is current on all property and sales taxes.

14. Staff recommended that only TUC's request that involves land in Section 6 be approved because currently there are no potential customers in Section 5, and because it is too speculative at this time whether TUC would locate a well in Section 5.

15. Staff further recommended that:

(a) The Commission condition approval of the application on TUC filing copies of its Approval to Construct from Pima County Department of Environmental Quality for its new well within 365 days of the effective date of this Decision;

(b) TUC be ordered to file with the Commission within 365 days from the effective date of this Decision, a report from ADEQ stating that the new water system meets the Safe Drinking Water Act quality standards;

(c) Within 180 days from the effective date of this Decision TUC submit documentation from ADEQ that states TUC has complied with ADEQ requirements for monitoring and quality standards and indicate that all plant deficiencies have been corrected for its existing system;

(d) This Decision covering the extension area be considered null and void without further order from the Commission should TUC fail to meet the above conditions within the time specified; and,

(e) TUC charge its existing rates and charges within the extension area.

16. The Company agreed to all of Staff's recommendations, except for Staff's recommendation that the extension area be limited to the land within Section 6.

CONCLUSIONS OF LAW

1. TUC is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

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

3. Notice of the application was provided in accordance with law.

4. There is a public need and necessity for water service in the proposed extension a that encompasses Section 6. as set forth in Exhibit A.

5. As conditioned herein. TUC is a fit and proper entity to receive a Certificate to provide water service in the proposed service area.

6. The recommendations contained in Findings of Fact Nos. 14 and 15 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the application of Thim Utility Company (E & T Division) for an extension of its Certificate of Convenience and Necessity to provide water service to the area in Pima County. Arizona. described in Exhibit A hereto. is approved conditioned upon Thim Utility Company providing a copy of its Approval to Construct the new well or notice that it has acquired the existing well within 365 days of the effective date of this Decision.

IT IS FURTHER ORDERED that the approval granted herein is further conditioned u Thim Utility Company providing documentation from the Arizona Department of Environmenta Quality that indicates that the new well is providing water that meets the quality standards of the Safe Drinking Water Act within 6 months of completing the well.

IT IS FURTHER ORDERED that approval is conditioned upon Thim Utility Company providing documentation from the Arizona Department of Environmental Quality that its current system is providing water that meets the quality standards of the Safe Drinking Water Act within 90 days of the effective date of this Decision.

IT IS FURTHER ORDERED that the approval granted herein shall be null and void without further order of the Commission in the event Thim Utility Company fails to meet the above conditions or receive approval of an extension within the time specified.

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IT IS FURTHER ORDERED that Thim Utility Company shall charge its existing rates and charges within the extension area.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 30th day of November, 2000.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT
JR:dap

SERVICE LIST FOR: THIM UTILITY COMPANY

DOCKET NO. W-03293A-00-0425

Mr. Robin Thim, President
Thim Utility Co.
P.O. Box 13145
Tucson, Arizona 86732

Ms. Lyn Farmer, Chief Counsel
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ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Deborah Scott, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

EXHIBIT A

Legal Description of Extension Area

The W 1/2 of the SE 1/4 and the E 1/2 of the NE 1/4 of Section 6, Township 16S, Range 14E G&SRB&M.

Hecker

BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
COMMISSIONER - CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER

ARIZONA CORPORATION COMMISSION Complainant, MYRON WEINBERG, aka JOHN BAKER dba LAZY B WATER COMPANY, Respondent.	DOCKET NO. W-02706A-97-0321 DECISION NO. 60896 Arizona Corporation Commission DOCKETED MAY 22 1998 DOCKETED BY ✓

OPINION AND ORDER

DATE OF HEARING: March 24, 1998

PLACE OF HEARING: Tucson, Arizona

PRESIDING OFFICER: Jane L. Rodda

APPEARANCES: Carolyn Goldsmidt, on behalf of Saguaro Environmental Services, Inc., Intervenor; and

Christopher Kempley, Assistant Chief Counsel, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On July 1, 1997, the Arizona Corporation Commission ("Commission") issued an Order To Show Cause (Decision No. 60263) ("Complaint") against Myron Weinberg aka John Baker dba Lazy B Water Company ("Respondent") in which the Commission alleged Respondent abandoned the water system known as the Lazy B Water Company ("Lazy B"). Decision No. 60263 ordered the Commission's Hearing Division to schedule a hearing on the issue of abandonment and the proper relief for such abandonment, including, but not limited to imposition of a fine, and appointment of a permanent operator. A hearing was held on March 24, 1998 at the Commission's offices in Tucson, Arizona. Commission Utilities Division Staff ("Staff") and intervenor, Saguaro Environmental Services, Inc. ("Saguaro") appeared through counsel and Respondent did not make an appearance.

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DISCUSSION

Procedural Background

Respondent, a pretrial detainee in the Pima County Adult Detention Center ("PCADC") in Tucson, Arizona, was personally served with the Complaint on July 10, 1997, and did not file a Response or otherwise request a hearing. On July 21, 1997, Staff filed a Motion to Set For Hearing and For Telephonic Participation By Respondent, in which Staff requested the Hearing Division to set a hearing in Tucson on the issues of the Complaint and requested that Respondent be permitted to participate by telephone. Staff reported that PCADC authorities would permit Respondent access to a telephone for the purpose of participating in a hearing. Thus, by Procedural Order dated August 15, 1997, a hearing was set in this matter for September 26, 1997.

On September 15, 1997, Respondent filed a request for a continuance for 60 days, citing his health and circumstances of his confinement. By Procedural Order dated September 17, 1997, the hearing was continued until December 2, 1997. On October 20, 1997, Respondent filed another request for continuance until March 1998, when he would have more information on his trial and the possibility of his "co-defendant" being able to operate the Lazy B system. A Procedural Order dated November 25, 1997, rescheduled the hearing for March 24, 1998. The November 25, 1997 Procedural Order provided that Respondent could participate in the hearing by placing a collect telephone call to the Commission's Tucson office.

On the morning of March 24, 1998, only hours prior to the scheduled commencement of the hearing, the Commission received Respondent's third request for a continuance. Staff was informed of the request and opposed continuing the hearing for a third time on the grounds that there was no end in sight to the delays and there was no benefit from another delay. Respondent remains incarcerated in the PCADC subject to $150,000 bail and is potentially subject to incarceration for a long time if ultimately found guilty of the criminal charges against him. Respondent has not contacted the Commission concerning the daily operations of the Lazy B system at any time since his incarceration. Respondent's request for another continuance was denied and the hearing proceeded as scheduled. Respondent did not appear telephonically.

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Intervenor

On August 5, 1997, the Commission granted intervention to Saguaro, a contractor who had repaired the Lazy B well when it failed on June 11, 1997. On December 23, 1997, Saguaro filed a Motion for Order Directing Payment, in which Saguaro sought payment of its $1,647.19 invoice related to the repair work. By Procedural Order dated January 14, 1998, the Commission ordered the parties to respond to Saguaro's motion. Thim Utility Company ("TUC"), the interim operator of the Lazy B, and Staff filed responses on February 16, 1998 and February 13, 1998, respectively. TUC believed that the repair work could have been performed less expensively. Staff did not oppose Saguaro's request. By Procedural Order dated March 5, 1998, the Commission requested that Saguaro submit a detailed invoice for review by Staff Engineering. Saguaro complied on March 18, 1998. Staff Engineering filed a memorandum expressing the opinion that the Saguaro invoice was reasonable. Saguaro appeared at the hearing through counsel. TUC appeared through its president Robin Thim.

There was no controversy that Saguaro performed the work or that the work was necessary. Based on the foregoing, the Hearing Officer found that the amount of the Saguaro invoice was reasonable and ordered TUC to make payment from revenues collected from Lazy B customers. Saguaro's request for attorney's fees and interest was denied.

Basis of Complaint

The record shows that after his arrest on June 20, 1997, Respondent did not make arrangements for paying bills, reading meters, billing and collecting revenue, monitoring water quality or responding to customer complaints for the Lazy B. At the time of Respondent's arrest, the Lazy B system was in a state of disrepair and presented potential health and safety concerns on account of a bacteriological contamination and other Arizona Department of Environmental Quality ("ADEQ") regulation violations.[1]

Staff argued that Respondent's inaction in providing for the operation of the Lazy B was tantamount to abandoning the system and in violation of Commission rules. Staff proposed that TUC continue operating as the interim operator of the Lazy B system, that the Commission assess fines against

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[1] On July 14, 1997, pursuant to the authority granted in Decision No. 60263, Staff appointed TUC as interim operator of the Lazy B system. Prior to its appointment, TUC had decontaminated the Lazy B system, resolving the bacteriological contamination problem.

Respondent in an amount deemed appropriate and that whatever fines are imposed be waived in the event Respondent consummates a sale of the well or any significant portion of the system to a certified operator.

When Respondent commenced providing water utility service to the pubic he became a public service corporation subject to the orders and rules of the Commission. In Decision No. 58527 (February 2, 1994), the Commission ordered Respondent to comply with the orders and rules of the Commission as well as bring the system into compliance with ADEQ regulations. Pursuant to Commission rules, Respondent is obligated to provide potable water to its customers and make reasonable efforts to supply a satisfactory and continuous level of service, including paying bills in a timely manner, reading meters, billing and collecting revenues, and responding to consumer complaints. Furthermore, the Lazy B was left with a potentially dangerous public health problem and remained in violation of ADEQ regulations. By failing to make arrangements for the operation of the Lazy B system, Respondent violated Decision No. 58527 and Commission rules.

The record supports our finding that Respondent failed in its legal obligation as a public service corporation to render competent and adequate service. Based on the foregoing, we find Respondent should be fined $5,000. However, should Respondent consummate the sale of the Lazy B well or a significant portion of the Lazy B system to a certified operator within 90 days of this Decision, the Commission will waive the fine. We also concur with Staff that TUC should remain as the interim operator of the Lazy B system until further Order of the Commission.

* * * * * * * * * *

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

FINDINGS OF FACT

1. Respondent provides water service to approximately 14 customers southwest of Tucson, Arizona.

2. In Decision No. 58527(February 2, 1994) Respondent was denied a CC&N for the Lazy B service area because the system had several ADEQ violations and Respondent would not provide important information to the Commission. The Commission retained jurisdiction over Respondent as

a public service corporation.

3. As a public service corporation, Respondent is obligated to provide water utility service pursuant to the rules and regulations of the Commission.

4. On June 20, 1997, Respondent was arrested on felony criminal charges unrelated to the operation of the Lazy B system.

5. Respondent has been confined to the PCADC since his arrest and is awaiting trial.

6. After his arrest and incarceration Respondent did not provide for the day to day operations of the Lazy B system, including payment of bills, meter reading, billing and collections, water quality monitoring and customer inquiries and complaints.

7. At the time of Respondent's arrest the Lazy B system was suffering from disrepair and was experiencing a bacteriological contamination.

8. Respondent did not take steps to rectify the contamination.

9. On July 1, 1997, the Commission issued a Complaint (Decision No. 60263) against Respondent in which the Commission alleged that by failing to provide for the daily operation of the Lazy B system, Respondent had abandoned the system. The Commission authorized the appointment of an interim operator for the Lazy B and ordered that a hearing be set to consider the appointment of a permanent operator and the imposition of additional penalties.

10. On July 10, 1997, Respondent was personally served with the Complaint.

11. Respondent did not file a response to the Complaint or otherwise request a hearing.

12. Pursuant to authority granted in Decision No. 60263, on July 14, 1997, Staff appointed TUC to act as the interim operator of the Lazy B.

13. On July 21, 1997, Staff filed a Motion to Set For Hearing and For Telephonic Participation By Respondent, in which Staff requested that the Hearing Division set a hearing in Tucson on the issues of the Complaint and requested that Respondent be permitted to participate by telephone.

14. Pursuant to Procedural Order dated August 15, 1997, a hearing was set for September 26, 1997 and Respondent was permitted to participate telephonically by placing a collect call to the Commission's Tucson offices.

15. On September 15, 1997, Respondent filed a request for a continuance for 60 days, citing

his health and circumstances of his confinement.

16. By Procedural Order dated September 17, 1997, the hearing was continued until December 2, 1997.

17. On October 20, 1997, Respondent filed another request for continuance until March 24, 1998, when he claimed he would have more information on his trial and the possibility of a co-defendant being able to operate the Lazy B system.

18. A Procedural Order dated November 25, 1997 rescheduled the hearing for March 24, 1998. The November 25, 1997 Procedural Order provided that Respondent could participate in the hearing by placing a collect telephone call to the Commission's Tucson office.

19. On the morning of March 24, 1998, the Commission received Respondent's third request for a continuance.

20. Staff opposed continuing the hearing for a third time.

21. Respondent's request was denied and the hearing proceeded as scheduled. Respondent did not appear telephonically.

22. On June 11, 1997, the Lazy B well failed and Saguaro provided emergency repair of the well drop pipe.

23. Respondent did not provide for the payment of the Saguaro invoice.

24. On August 5, 1997, Saguaro was granted intervention in this matter, and on December 23, 1997, Saguaro filed a Motion to Order Payment of its invoice in the amount of $1,647.19.

25. By Procedural Order dated January 14, 1998, the Commission ordered the parties to respond to Saguaro's motion. TUC and Staff filed responses on February 16, 1998 and February 13, 1998, respectively. TUC believed that the repair work could have been performed for less. Staff did not oppose Saguaro's request.

26. By Procedural Order dated March 5, 1998, the Commission requested that Saguaro submit a detailed invoice for review by Staff Engineering. Saguaro complied on March 18, 1998. On March 19, 1998, Staff Engineering filed a memorandum expressing the opinion that the Saguaro invoice was reasonable.

27. Saguaro appeared at the hearing through counsel. TUC appeared through its president

Robin Thim.

28. There was no controversy that Saguaro performed the work or that the work was necessary. Based on Staff Engineering's opinion, the Hearing Officer found that the amount of the Saguaro invoice was reasonable and ordered TUC to make payment from revenues collected from Lazy B customers. Saguaro's request for attorney's fees and interest was denied.

29. By failing to take steps to provide for the operation of the Lazy B, Respondent failed to provide satisfactory and reasonable service.

30. Respondent is in violation of Commission Orders contained in Decision 58527.

31. Respondent has not provided service or facilities that are adequate, efficient, sufficient, reasonable, safe or proper.

32. Staff recommended that the Commission impose fines against Respondent and waive such fines in the event Respondent consummates the sale of the Lazy B well or a significant portion of the Lazy B system to a certified operator.

33. Staff's recommendations as set forth in Findings of Fact No. 32 are reasonable.

CONCLUSIONS OF LAW

1. Respondent is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-281, 40-282, 40-301 and 40-302.

2. The Commission has jurisdiction over Respondent and the subject matter of the Complaint.

3. Notice of the hearing was given in accordance with the law.

4. As a public service corporation, Respondent is obligated to provide service in accordance with Arizona law and the rules and regulations of the Commission.

5. Pursuant to Article XV, Section 16 of the Arizona Constitution and A.R.S. §§ 40-424 and -425, the Commission may fine Respondent from $100 to $5,000 for every violation of a Commission rule or Order and for every failure to comply with statutory requirements.

6. Pursuant to Article XV of the Arizona Constitution and A.R.S. §§ 40-202, -321 and -322 and -361, the Commission has the jurisdiction and authority to determine what is just, reasonable, safe, proper, adequate or sufficient, and shall enforce its determination by Order or regulation.

ORDER

IT IS THEREFORE ORDERED that Myron Weinberg aka John D. Baker dba Lazy B Water Company is hereby fined a total of $5,000 for the reasons set forth herein with payment to be made within 90 days of the date of this Decision.

IT IS FURTHER ORDERED that the administrative penalties shall be made payable to the State Treasurer for deposit in the General Fund of the State of Arizona.

IT IS FURTHER ORDERED that the $5,000 in penalties assessed against Myron Weinberg aka John D. Baker dba Lazy B Water Company shall be waived if Respondent consummates the sale of the well or a significant portion of the Lazy B system to a certified operator within 90 days of the date of this Decision.

IT IS FURTHER ORDERED that Thim Utility Company shall continue to act as interim operator of the Lazy B system until further Order of the Commission.

IT IS FURTHER ORDERED that in the event that Myron Weinberg aka John D. Baker dba Lazy B Water Company fails to comply by the time deadlines imposed by this Order, the Commission's Legal Division is directed to bring an action in Court to enforce compliance.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

COMMISSIONER - CHAIRMAN | COMMISSIONER | COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 22nd day of May, 1998.

JACK ROSE
EXECUTIVE SECRETARY

DISSENT _____
JR/dap

SERVICE LIST FOR: JOHN BAKER dba LAZY B WATER COMPANY

DOCKET NO.: W-03293-97-0596

John Baker a.k.a. Myron Weinberg
c/o Pima County Adult Detention Center
Booking No. 970618047
1270 Silverlake Road
Tucson, Arizona 85713

Robin Thim
THIM UTILITY CO.
P.O. Box 13145
Tucson, AZ 85732
Interim Operator of the Lazy B

Paul Bullis, Chief Counsel
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1200 West Washington Street
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Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
AUG 29 1997
DOCKETED BY Cm

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
RENZ D. JENNINGS
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF E & T WATER COMPANY, INC. AND THIM UTILITY CO. FOR APPROVAL OF THE SALE OF ASSETS AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. U-1409-97-072
DOCKET NO. U-3293-97-072

DECISION NO. 60388

OPINION AND ORDER

DATE OF HEARING: August 1, 1997

PLACE OF HEARING: Tucson, Arizona

PRESIDING OFFICER: Jane L. Rodda

APPEARANCES: Ron Allen King, Frisch & Allen, P.C., on behalf of E&T Water Company, Inc.;

Robin Thim, owner of Thim Utility Co.; and

Christopher Kempley, Assistant Chief Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On February 12, 1997, E&T Water Company, Inc. ("E&T") and Thim Utility Co. ("TUC") filed with the Arizona Corporation Commission ("Commission") an application for approval to sell E&T's assets and transfer its Certificate of Convenience and Necessity ("Certificate") to TUC. On June 25, 1997, the Commission's Utilities Division Staff ("Staff") filed its Staff Report in this matter recommending approval of the application after a hearing. By Procedural Order issued on July 2, 1997, the hearing was set for August 1, 1997. The hearing convened as scheduled.

DISCUSSION

Introduction

E&T is an Arizona corporation that provides water utility service to approximately 250 customers in an area located approximately two miles south of the Tucson International Airport. Mr. John T. Ratica, the grandson of the original owner who has passed away, operates the Company. Mr. Ratica

resides out of state and desires to sell the assets of the utility.

TUC is an Arizona corporation providing water utility service to approximately 262 customers in the unincorporated area known as Three Points, located approximately 22 miles southwest of Tucson, in Pima County, Arizona. E&T and TUC have entered into a purchase agreement whereby TUC will purchase the assets of E&T for $62,500. The book value of the assets is approximately $90,000. TUC has agreed that the Commission should defer a decision on an acquisition adjustment, if any, until a future TUC rate proceeding.

E&T does not owe refunds for main extension agreements, security deposits or service line installations. The service areas for E&T and TUC are not in close proximity to each other and it is unlikely the two systems will ever be interconnected and consequently, will be operated as separate operating systems. TUC has acquired a Pima County franchise for the E&T service area. Both companies are current with their property taxes and in compliance with Commission filing requirements. TUC is in compliance with Arizona Department of Environmental Quality ("ADEQ") regulations.

At the time of the Staff Report, E&T was in Substantial Compliance with ADEQ regulations. E&T's well water contains an excessive level of nitrates. Prior to acquiring E&T, TUC arranged with the City of Tucson to provide water to be blended with E&T's well water alleviating the problem such that E&T currently provides water that meets all ADEQ water quality standards.

* * * * * * * * * * *

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

FINDINGS OF FACT

1. E&T is an Arizona corporation engaged in providing water service to approximately 250 customers located about two miles south of the Tucson International Airport in Pima County, Arizona.

2. TUC is an Arizona corporation providing water service to approximately 262 customers in an area known as Three Points, approximately 22 miles southwest of Tucson in Pima County, Arizona.

3. On February 12, 1997, E&T and TUC filed a Joint Application for approval of the sale of E&T's assets and transfer of E&T's CC&N to TUC.

4. On June 25, 1997, Staff filed its Staff Report in this matter, recommending the Commission approve the Application.

5. By Procedural Order issued July 2, 1997, the hearing was set on the application for August 1, 1997 in Tucson, Arizona.

6. E&T and TUC mailed notice of the hearing on the application to all of their respective customers.

7. The hearing convened as scheduled before a duly authorized Hearing Officer with Robin Thim, owner of TUC, testifying for TUC and Patrick Williams testifying for Staff.

8. TUC is in compliance with ADEQ regulations, is current with its property taxes and Commission filing requirements.

9. E&T is current on its property taxes and Commission filings.

10. E&T is in Substantial Compliance with ADEQ regulations. E&T's well water contains an excessive amount of nitrates. TUC resolved the condition by arranging with the City of Tucson to blend E&T's well water with City of Tucson water. ADEQ reports that E&T currently provides water that meets the standards of the Safe Drinking Water Act.

11. E&T and TUC have entered into a purchase agreement under which TUC will acquire the assets of E&T for $62,500. Current book value of E&T's assets is approximately $90,000.

12. Staff recommended that the Commission defer determining an acquisition adjustment, if any, until a future TUC rate proceeding.

13. Staff further recommended that TUC be authorized to charge E&T's existing rates and charges to the customers that it will acquire from E&T.

CONCLUSIONS OF LAW

1. E&T and TUC are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. Sections 40-250 and 40-251.

2. The Commission has jurisdiction over E&T and TUC and of the subject matter of the Application.

3. Notice of the hearing was given in accordance with the law.

4. TUC is a fit and proper entity to receive an amended Certificate to include E&T's service

area.

5. Staff's recommendations contained in Findings of Fact Nos. 12 and 13 are reasonable.

ORDER

IT IS THEREFORE ORDERED that the joint application of E&T Water Company, Inc. and Thim Utility Co. for approval of the sale of assets and transfer of Certificate of Convenience and Necessity is granted.

IT IS FURTHER ORDERED that E&T Water Company, Inc. and Thim Utility Co. are authorized to execute any legal documents necessary to effectuate the transaction.

IT IS FURTHER ORDERED that Thim Utility Co. shall comply with Staff's recommendations set forth in Findings of Fact Nos. 12 and 13.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 22nd day of August, 1997.

JACK ROSE
EXECUTIVE SECRETARY

DISSENT _____
JR/dap

SERVICE LIST FOR: E&T WATER COMPANY, INC. AND THIM UTILITY CO.

DOCKET NOS.: U-1409-97-072 and U-3293-97-072

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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
RENZ D. JENNINGS
COMMISSIONER

DOCKETED

JUL 1 1997

DOCKETED BY

ARIZONA CORPORATION COMMISSION, COMPLAINANT, v. MYRON WEINBERG, A.K.A. JOHN BAKER D.B.A. LAZY B WATER COMPANY RESPONDENT.	DOCKET NO. U-2706-97-321 DECISION NO. 60263 **COMPLAINT AND ORDER TO SHOW CAUSE; AND ORDER FOR TEMPORARY RELIEF PENDING HEARING**

OPEN MEETING
July 1, 1997
Phoenix, Arizona

BY THE COMMISSION:

The Arizona Corporation Commission ("Commission") for its complaint, alleges:

1. The Commission is an agency of the State of Arizona, existing by virtue of Article 15 of the Arizona Constitution. Carl Kunasek, Jim Irvin and Renz Jennings are its qualified and elected Commissioners.

2. Respondent Myron Weinberg alias John Baker (hereafter referred to as "Respondent") provides, and at all times relevant to this Order to Show Cause has provided, water service under the name of Lazy B Water Company in an area west of Tucson, Pima County, Arizona.

3. This complaint and Order to Show Cause together with its temporary relief *pendente lite* is initiated and authorized pursuant to Article XV, sections 2 and 3 of the Arizona Constitution, and Ariz. Rev. Stat. Sections 40-202, 40-203, 40-246, 40-248, and 40-421.

4. In Decision No. 58527, the Commission determined that the Respondent, operating under his alias John Baker, was a public service corporation as defined by Article XV of the Constitution.

5. Decision No. 58527 denied Respondent's application for a Certificate of Convenience and Necessity and retained jurisdiction over Respondent as a public service corporation.

6. On Friday, June 20, 1997, Respondent was arrested for multiple felony charges. Respondent is subject to possible imprisonment for many years.

7. Bail has been set by the Pima County Superior Court at $150,000.

8. Respondent has not posted bail.

9. The Staff of the Arizona Corporation Commission has conducted a review of the Respondent's financial affairs in connection with his pending rate application and does not believe that it is likely that Mr. Weinberg will post $150,000 bail.

10. Mr. Weinberg has not arranged for anyone to take care of the water system while Mr. Weinberg resolves the pending charges.

11. There are pressing needs of the system, which need to be resolved:

a. The electric bill for the pump needs to be paid.

b. The meters need to be read.

c. Bills need to be sent out to customers.

d. The Department of Environmental Quality's monitoring requirements need to be met in order to ensure safe drinking water.

12. It is summertime in Tucson, Arizona and the interruption in service can create a grave and imminent threat to the health and safety of the customers of the Respondent.

13. There was coliform contamination in the system. A neighboring utility, Thim Utilities had an employee enter and take possession of the premises to decontaminate the system, although this was not solicited by the respondent.

14. If no certified operator runs the system threats to the public safety will occur.

...

CONCLUSIONS OF LAW

1. Respondent Myron Weinberg, alias John Baker, d.b.a. Lazy B. Water Company is a public service corporation as defined by Article 15, sec. 2 of the Arizona Constitution.

2. As a public service corporation, Respondent is subject to the jurisdiction of the Commission with regard to the matters herein.

3. The Commission has the sole authority to govern the operation of public service corporations.

4. A public service corporation is required to comply with every order, decision, rule or regulation made by the Commission in any matter relating to or affecting its business as a public service corporation.

5. The Commission has the authority to bring a complaint on its own motion setting forth any act or thing to be done or omitted to be done by any public service corporation claimed to be in violation of any provision of law, or any order or rule of the Commission.

6. The Commission has the authority to commence a proceeding to determine whether a public service corporation has unlawfully abandoned its plant and its obligation to the public, in violation of Commission rule, order or statute, and to fashion such relief as may be necessary including imposition of fines on the respondent.

7. The Commission has the authority to fashion relief to the public, including interim relief, pending hearing where such abandonment presents an imminent danger or threat to the public.

ORDER

THEREFORE IT IS ORDERED that the staff of the Arizona Corporation Commission is authorized to find a certified operator to run the system pending hearing on the Order to Show Cause.

This operator, with a letter of authorization from Commission Staff, may read meters, collect monies, make meter connections and disconnections, pay bills inclu

electric bills, conduct water testing and perform other services which he may find useful in the day-to-day operation of the company pending resolution of this order to show cause.

IT IS FURTHER ORDERED, that Respondent, if he desires to contest these allegations, make written response to this order to show cause no later than ten calendar days from service of this order and file it with the Docket Control of the Arizona Corporation Commission at 1200 W. Washington Street, Phoenix, Arizona 85007.

IT IS FURTHER ORDERED that following the filing of a written answer by the Respondent, the Hearing Division will set a time and place for the determination of this cause for a final hearing on the issue of abandonment and the proper relief for such abandonment, including but not limited to imposition of a fine,and appointment of a permanent operator.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 1st day of July, 1997.

JACK ROSE
Executive Secretary

DISSENT_____

PB:mam

STATE OF ARIZONA)
) ss
COUNTY OF MARICOPA)

AFFIDAVIT OF JENNIFER LEBRECHT JARESS

Jennifer Lebrecht Jaress, being first duly sworn upon her oath deposes and says:

1. I am an employee of the Corporation Commission in Tucson, Arizona.

2. My position with the Commission is as a Consumer Service Specialist II.

3. I am familiar with the operation of the Lazy B Water Company through the activities of its owner, Myron Weinberg, who was known to me through his alias, John Baker. The system is operated in Pima County, near Tucson, Arizona.

4. Mr. Weinberg is a pretrial detainee in the Pima County jail awaiting trial on multiple felony charges unrelated to his operation of the water company.

5. Bail has been set for over $150,000.

6. Mr. Weinberg has been in jail for a week.

7. Mr. Baker has been appointed a lawyer by the court based on a finding of indigence.

8. Based on my knowledge of the revenues that may be derived from the system made in connection with a pending rate application of the system and my knowledge of the lifestyle of Mr. Baker, I believe that it is unlikely that Mr. Baker could post bail at this level and resume his operation of the system in the immediate future.

9. The prosecuting authorities have indicated to me that these charges are very serious and carry the possibility of years or decades of incarceration without possibility of parole.

10. Mr. Weinberg has not arranged for a certified operator to run the system during his incarceration.

11. The system appears to have been abandoned because of the overwhelming legal difficulties facing Mr. Weinberg.

12. I know from my employment with the Commission that electric pumping expenses are a large cost of operating a small water company.

13. These bills must be paid every month in order to keep the water flowing.

14. Meters must be read so that bills to the customers may be timely sent, so that the expenses of the company may be paid.

15. The environmental authorities have detected total coliform contamination in the system.

16. A neighboring certified water system operator employed by Thim Utilities has entered onto the premises and secured the wellsite with a lock and has conducted decontamination procedures at the expense and initiative of Thym Utilities.

17. There are no other sources of water for the customers of Myron Weinberg.

18. It is summer in the lower Sonoran desert.

19. There is an imminent threat to the public health and safety of the customers of Myron Weinberg.

FURTHER AFFIANT SAYETH NOT.

Jennifer Lebrecht Jaress

Jennifer Jaress

SUBSCRIBED AND SWORN to before me this 26 day of June, 1997, by Jennifer Lebrecht Jaress.

Mary A. Ippolito

NOTARY PUBLIC

MY COMMISSION EXPIRES:

7-26-97

OFFICIAL SEAL
MARY A. IPPOLITO
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Exp. 7/26/97

Rene!

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
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MARCIA WEEKS
CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
DALE H. MORGAN
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF JOHN BAKER, DBA LAZY B WATER COMPANY, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY.	DOCKET NO. U-2706-93-033 DECISION NO. 58527 **OPINION AND ORDER**

DATE OF HEARING: November 8, 1993

PUBLIC COMMENT: October 6 and 28, 1993

PLACE OF HEARING: Tucson, Arizona

PRESIDING OFFICER: Patricia E. Cooper

APPEARANCES: Mr. John Baker, Owner, Lazy B Water Company, in propria persona;

Mr. James Marsh, Intervenor, in propria persona; and

Mr. Bradford A. Borman, Staff Attorney, Legal Division, on behalf of the Arizona Corporation Commission Staff.

BY THE COMMISSION:

On January 25, 1993, Mr. John Baker, dba Lazy B Water Company ("Lazy B" "Company" or "Applicant"), filed an application with the Arizona Corporation Commission ("Commission") requesting issuance of a Certificate of Convenience and Necessity ("Certificate" or "CC&N") to provide water service to the public in an area southwest of the City of Tucson, Pima County, Arizona.

On July 9, 1993, the Commission's Utilities Division Staff ("Staff") filed its report recommending that Lazy B's application be denied but that the Commission retain jurisdiction over Applicant as

a public service corporation and prescribe just and reasonable rates for Applicant.

On August 3, 1993, Lazy B filed its reply disputing Staff's recommendations.

On August 3, 1993, the Commission issued a Procedural Order setting a hearing on October 6, 1993 at the Commission's offices in Tucson, Arizona.

The hearing was convened on October 6, 1993 at 1:30 p.m. Upon the Applicant's failure to appear, Staff moved for a continuance of the evidentiary portion of the hearing. That motion was granted and public comment was taken from seven of Applicant's customers in attendance.

On October 7, 1993, the Applicant notified the Presiding Officer of his reasons for not appearing on October 6, 1993. By Procedural Order dated October 12, 1993, the hearing was rescheduled for October 28, 1993. On October 19, 1993, the Applicant requested a continuance. A Procedural Order issued October 21, 1993 granted the Applicant's request conditioned upon his providing the Presiding Officer with a list of dates the Applicant would be available for hearing. Such list was provided on October 26, 1993. By Procedural Order dated October 26, 1993, the evidentiary proceeding was continued to November 8, 1993 while the October 28, 1993 hearing date was retained to take any further comment from the public. Staff provided notice to the customers of the two scheduled hearing dates.

On November 5, 1993, the Commission granted Mr. James Marsh's request ("Mr. Marsh" or "Intervenor") for intervention.

The evidentiary hearing was convened on November 8, 1993 before a duly authorized Hearing Officer of the Commission in Tucson,

Arizona. The Applicant appeared in propria persona as did the Intervenor. Staff appeared represented by a member of the Commission's Legal Division. At the conclusion of the hearing, the matter was taken under advisement pending submission of briefs by the parties on or before November 29, 1993.

On November 18, 1993, Mr. Baker filed a brief in which he argued that the Commission lacked jurisdiction to regulate Applicant and requested that his application be withdrawn. On November 29, 1993, Staff filed its brief and response to Applicant's motion. Applicant's Motion was untimely made, being filed after the issues were joined and the hearing was held. Therefore, it is hereby denied.

DISCUSSION

Lazy B is a sole proprietorship owned by Mr. Baker.[1] It provides water service to approximately 17 metered customers in an unplatted subdivision called Lazy B Ranch located southwest of the City of Tucson in Pima County, Arizona.[2] As new residents have bought property and moved into the subdivision, Lazy B has provided them with water service. Lazy B is the sole provider of water utility service to the area. Although the City of Tucson has water facilities nearby, no public service corporations are in competition with Lazy B to provide service to its area.

Mr. Baker purchased the water company in September, 1992 for $40,000, paying $30,000 in cash to the seller Moody & Kaplan, a

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[1] The name of Betty Jo Miller appears on the documents of purchase. However, her name is absent from the instant application which indicates that Mr. Baker is the sole proprietor of Lazy B.

[2] The Applicant states that his service area is 40 acres. Staff lists it as 52 acres. No attempt has been made to resolve this disparity since no legal description of the area was filed in this proceeding and no Certificate will be issued.

California partnership, which is carrying the $10,000 balance on a note and deed of trust on the well-site.[3] Although Mr. Baker filed the instant application within four months of his purchase, the water company began operations at least 12 years ago and has never been certificated.[4] Since that time it has had a long and checkered history with regulatory agencies including the Commission,[5] the Arizona Department of Water Resources ("ADWR"), and the Arizona and Pima County Departments of Environmental Quality ("ADEQ" and "PCDEQ").[6] An ADEQ letter dated September 27, 1993 indicates that ADEQ itself performed water tests on the system in June, 1993 to determine the water's safety since the tests had not been performed by Lazy B.[7] Further, ADEQ's letter points out that the water utility was out of compliance with every aspect of PCDEQ's inspection check list. Additionally, no franchise has ever been issued to it by Pima County.

Mr. Baker testified that he was unaware when he bought the water company that it did not have necessary county approvals to operate or

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[3] The note is payable at $100 per month and carries an 8 percent annual interest rate.

[4] The well originally served a farmhouse. The first member of the public was added in 1959 or 1960.

[5] Staff first became aware of the system in 1982. In Decision Nos. 56826 (February 21, 1990) and 56970 (June 6, 1990) the Commission ordered former owners Sunburst Investments and Lowell F. and Joan M. Johnson to file an application for a CC&N or an adjudication. That order was apparently ignored by the Johnsons.

[6] On October 15, 1993 ADEQ issued a Compliance Order against Lazy B finding, inter alia, that it has failed: to submit required water tests; to properly operate and maintain the water system; to use a certified well operator; to meet minimum storage requirements in order to meet average daily peak demand; or to receive an approval to construct or an approval of construction from PCDEQ.

[7] The water tests indicate no contamination nor levels above those allowed.

that previous owners had not complied with ADEQ requirements. He indicated that he intends to sell the system and make required corrections at that time or bring suit against Moody & Kaplan to rescind the purchase for the seller's failure to disclose these problems. He further testified that, in the interim, he seeks a Certificate for Lazy B and would expect to have monopoly rights in the service area if he is issued a Certificate.

At the hearing Mr. Baker appeared to be confused about the Commission's procedures for setting initial rates. Apparently he believed the Commission issues a Certificate through one proceeding and then sets initial rates in a later and separate proceeding requiring a separate application and more complete financial information. Understanding that initial rates could be determined in the instant matter based on a fair rate of return and operating expenses, Mr. Baker agreed to provide the Commission with certain financial information. Subsequent to the hearing, Mr. Baker met with Staff to delineate the documents Staff would need to determine Lazy B's financial stability and recommend expense-based rates. On November 10, 1993, Staff wrote to Mr. Baker indicating it would need the following to analyze Lazy B's application for a CC&N: a well-site deed, service area legal description, personal financial statement and current balance sheet and income statement. Staff also enclosed a rate application. On November 12, 1993, as directed by the Hearing Officer, Mr. Baker filed as a late-filed exhibit a copy of the deed and other documents concerning his purchase of Lazy B. He has not, however, filed the information sought by Staff.

Staff argued that it has insufficient financial information to analyze whether Lazy B is a fit and proper entity to receive a

Certificate and that Mr. Baker has made no attempt to demonstrate that he is financially fit to hold one.

Additionally, Staff pointed out that Mr. Baker's relations with his customers demonstrates that he is otherwise unfit to be awarded the monopoly rights to provide service that is inherent to a CC&N. Nine customers have lodged complaints with the Commission against Lazy B in the past year. Furthermore, the evidence shows Mr. Baker: has been verbally abusive to some customers; has written the Intervenor telling him that he will have Mr. Marsh removed from the area through the filing of a lawsuit; continually threatens customers with disconnection of their service when they complain of rates or other matters; testified to threatening on numerous occasions to close down the well "because of the attitude of some of the customers"; has failed for a one-month period to provide customers with a telephone number for the water utility; has refused customer letters mailed to him; and has required customers to maintain their own water meters and repair or pay for them when damaged or inoperable or face having their service disconnected. Additionally, comments made by customers during the public comment session indicate that customers will pay a bill twice to avoid shutoff, that meter readings have been incorrectly made and that inconsistent readings have been carried forward on the next monthly bill.

The evidence shows that throughout the 13 months Mr. Baker has owned and operated the system Lazy B has demonstrated a disregard for its customers' safety as illustrated by its failure to make any required water tests, use a certified well operator or earlier qualify

Mr. Baker as one[8], or to make repairs to the well to prevent contamination as shown by a PCDEQ sanitary survey conducted on August 26, 1993.

Witnesses for the Intervenor and the Intervenor himself testified that the system is improving, downtime is infrequent and there has recently been better service and quality of service with Mr. Baker than with prior owners. Mr. Marsh attributed this to the Commission's oversight of Lazy B through the past year and to increased monitoring by ADEQ and PCDEQ. Nevertheless, Mr. Marsh joined with Staff in requesting that we not issue a Certificate to Lazy B. Mr. Marsh argued that customers believe Mr. Baker is a threat to them, will not respond to them, and is hostile to them. He pointed out that our denial would allow Lazy B's customers to seek service from the City of Tucson or another water supply.

We agree with Staff and the Intervenor that no Certificate should be issued at this time. Mr. Baker has made an insufficient showing that the issuance of a Certificate to Lazy B would be in the public interest as required by A.R.S. § 40-281. Therefore, his application is denied.

The evidence further shows that Mr. Baker has told his customers that if we do not issue a Certificate to Lazy B "the Company would operate his way, and his way only, and that he would have complete control and not have to answer to the Commission." Mr. Baker is mistaken. The issuance of a Certificate only grants a monopoly right to serve an area. It is not necessary for the Commission to issue a Certificate in order to regulate the rates and service of a public

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[8] Mr. Baker indicated he had taken well operator courses during the summer and would be taking the certification test in January, 1994.

service corporation. That power and jurisdiction to regulate was granted to the Commission by the people in the Arizona Constitution, Article XV, Section 3. Certificates are nowhere mentioned in the Constitution; they are only creatures of statute and clearly are not required to apply Commission regulation of rates and charges. Tonto Creek Estates Homeowners Assn v. Arizona Corp. Comm'n, 1 CA-CV 91-0146, slip op. at 13 (Ct. App. November 16, 1993), 152 Ariz. Adv. Rep. 49. Therefore, the Commission may deny Lazy B the Certificate and still retain jurisdiction to regulate its rates and require Lazy B to follow Commission rules in the transaction of the utility's business.

Lazy B has argued that, nonetheless, the Commission's constitutional powers extend only to public service corporations. He maintains he has no articles of incorporation which state that Lazy B is a public service corporation. He contends that as a sole proprietor he is exempt from the definition of a public service corporation as contained within Article XV, Section 2 and so is exempt from Commission regulation. He points for support to A.R.S. §40-202 and City of Phoenix v. Kasun, (1940) 54 Ariz. 470, 97 P.2d 210, maintaining that Lazy B acts in a private capacity whose services are not public services. Mr. Baker is mistaken. Arizona's courts have repeatedly interpreted Article XV, Section 2 to include Commission jurisdiction over all forms of ownership including sole proprietorships like Lazy B. In Williams v. Pipe Trades Indus. Program of Arizona, 100 Ariz. 14, 17, 409 P.2d 720, 721 (1966), the Arizona Supreme Court could not have stated it more clearly: "This section is applicable to individuals." Furthermore, the Arizona Supreme Court in Kasun, 54 Ariz at 476, in differentiating between services provided in a private capacity and those that were public

services, explained that the rules of private contract applied when a duty is based purely on contract and not on law, but that when a duty is owed the public, then the right of governmental regulation follows. The Court, in a primer on utility regulation, at 475 outlined the relationship as follows:

> The distinguishing characteristic of a public utility is the devotion of private property by the owner to such a use that the public generally, or at least that part of the public which has been served and has accepted the service, has the right to demand that such service...shall be conducted with reasonable efficiency and under proper charges. When private property is thus devoted to the public use, certain reciprocal rights and duties are raised by implication of law as between the utility and the persons whom it serves, and no contract is necessary to give them. Inasmuch, therefore, as one who devotes his property to a use in which the public has an interest, in effect grants to the public an interest in the use thereof, he must submit to being controlled by the public for the common good to the extent of the interest thus created so long as such use is continued. (Citing the U.S. Supreme Court in Munn v. Illinois, 94 U.S. 113, 24 L. Ed. 77.) The right inherent in the public authorities to control the rates to be charged by those operating public utilities is based on the fact that they owe a legal duty to the public to furnish certain services and can, therefore be regulated by the public as to the price to be charged for such services. It is upon these basic principles that the entire superstructure of public regulation of public utility corporations is based.

The evidence shows that Lazy B has devoted its private property to the public use: it has provided water utility service to any member of the public requesting it in Lazy B's service area and it continues to accept requests for services. Furthermore, Lazy B provides water, a commodity and service in which the public historically has been held to have an interest. As well, Lazy B intends to monopolize its service area in providing water. Thus, it also meets the tests the Arizona courts have found controlling in determining whether an entity is a public service corporation. See Natural Gas Service Co. v. Serv-Yu Coop., 70 Ariz. 235, 219 P.2d 324

(1950), Arizona Corp. Comm'n v. Nicholson, 108 Ariz. 317, 497 P.2d 815 (1972). Therefore, we find that Lazy B is a public service corporation providing a public service under the law which may be regulated by the Commission pursuant to the Arizona Constitution and A.R.S. §40-201 et. seq.

As part of its application, Lazy B has included its proposed rates and charges seeking the imposition of a $27.50 monthly service charge (with no minimum gallonage included) and a $2 per 1,000 gallon commodity rate. In 1983 when Staff first became aware of Lazy B, the Company charged a monthly flat rate of $20. Staff's testimony established that the rate was a flat $25 per month when Mr. Baker purchased Lazy B in October, 1992. According to Staff, Mr. Baker then provided for the flow-through of taxes, increasing the total bill paid by ratepayers. That $26.25 charge was in effect when Lazy B filed its application. In February, 1993, Lazy B increased its rates to $31.25 per month. Then, in June, 1993, it imposed a $25 per month service charge with a $2 per 1,000 gallon commodity charge. Staff testified this brought the bill of "most customers" to $40.00 per month.

Staff has recommended that the initial approved rate be set at a flat rate of $20 per month. It has chosen that rate of the myriad charged Lazy B's customers because that was the rate when Staff first became aware of Lazy B some ten years ago. Staff notes that the Commission often sets initial rates in these matters at the level being charged by the Company when Staff first contacts a utility about a CC&N. Here, however, that was more than ten years ago; furthermore, we have no information as to rates charged at its inception or in the intervening years. Additionally, and more importantly, Lazy B's ownership has changed and an application for a Certificate was filed

by the new owner within four months of his purchase. Additionally, we note that Lazy B is located within an Active Management Area, where water conservation is especially important. Therefore, we believe it important to impose a commodity charge as part of Lazy B's rate design. Consequently, we will set Lazy B's initial rates at a $25.00 monthly customer charge and a $2.00 per 1,000 gallon commodity charge. At the same time we will require Lazy B to file with the Commission a completed rate application within 15 months of the date of this Decision to ensure that rates are cost based. This will allow the Applicant sufficient time to record a full test year. In the interim, the Applicant should: seek assistance from members of the Commission's small water company task force, keep appropriate books and accounts so as to collect the information necessary for a rate application, and, monthly read each customer meter in order to determine and record requisite usage levels.

Additionally, the Applicant should consider applying again for a Certificate concurrent with the rate filing and provide the Commission with a service area legal description and sufficient financial information to show that Lazy B is a fit and proper entity for issuance of a CC&N.

* * * * * * * * * *

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

FINDINGS OF FACT

1. Lazy B is a sole proprietorship owned by Mr. Baker providing water utility service to the public in the Lazy B Ranch subdivision, an area southwest of Tucson, Pima County, Arizona.

2. On January 25, 1993, the Applicant filed an application for the issuance of a Certificate.

3. On August 23, 1993, the Applicant provided notice of the application and abbreviated notice of the hearing. On October 28, 1993, Staff provided notice of the hearing.

4. Lazy B provides water utility service to all residents within the subdivision who request it. If granted a Certificate, Lazy B would seek protection of its monopoly in the service area.

5. Lazy B is the sole provider of water utility service to the area. Although the City of Tucson has water facilities nearby, no public service corporations are in competition with Lazy B to provide service to the area.

6. Mr. Baker purchased the water company in September, 1992 for $40,000, paying $30,000 in cash to the seller Moody & Kaplan, a California partnership, which is carrying the $10,000 balance on a note and deed of trust on the well-site.

7. Lazy B is not in compliance with the requirements of ADEQ or PCDEQ.

8. Lazy B has not provided the Commission with a current balance sheet and income statement nor a personal financial statement for Mr. Baker.

9. Lazy B has not provided the Commission with a service area legal description.

10. Numerous customer complaints have been filed against Lazy B. Lazy B's customer relations and service policies have been less than adequate.

11. On July 9, 1993, Staff filed its report recommending that Lazy B's application be denied but that the Commission retain

jurisdiction over Applicant as a public service corporation and prescribe just and reasonable rates for Applicant.

12. Staff further recommended that Lazy B be ordered:

- to file information necessary for a permanent rate application and show financial fitness to hold a Certificate;
- to seek Commission approval before increasing rates;
- to comply with all statutes and rules for public service corporations; and
- to comply with the requirements of PCDEQ.

13. When Mr. Baker purchased Lazy B it charged its customers a flat $25.00 per month for water service.

14. Lazy B's initial rates as proposed in the application, and as recommended by the Staff are as follows:

	Proposed Rates	
	Company	Staff
Monthly Usage Charge		
5/8" x 3/4" Meter	$ 27.50	$ 20.00
Excess of minimum (per 1,000 Gallons)	$ 2.00	0
Gallons included in minimum:	0	0
Service Line and Meter Installation Charges (Refundable pursuant to A.A.C. R14-2-405)		
5/8" x 3/4" Meter	$ 200	---
3/4" Meter	250	---
1" Meter	300	---
1 1/2" Meter	375	---
2" Meter	525	---
3" Meter	600	---
4" Meter	800	---
5" Meter	950	---
6" Meter	1,100	---

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Service Charges

Establishment	$25.00	---
Establishment (After Hours)	40.00	---
Re-connection (Delinquent)	10.00	---
Meter Test (If Correct)	25.00	---
Deposit	*	*
Deposit Interest	*	*
Re-establishment (Within 12 Months)	**	**
NSF Check	$20.00	---
Deferred Payment	21.00%	---
Meter Re-read (If Correct)	$10.00	---

* Per Commission Rule A.A.C. R14-2-403(B).
** Months off system times the minimum (A.A.C. R14-2-403(D)).

15. The monthly customer charge should be $25.00.

16. Lazy B's rate design should be consistent with the water conservation goals of an active management area. Therefore, a monthly commodity charge of $2.00 per 1,000 gallons is required to encourage conservation.

CONCLUSIONS OF LAW

1. Lazy B is a public service corporation within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over Lazy B and its rates and charges and its service to its customers.

3. The Commission has jurisdiction over the subject matter of the application.

4. Notice of the application was given in accordance with the law.

5. The application does not meet Commission requirements for issuance of a Certificate.

6. Lazy B has failed to demonstrate that it is a fit and proper entity to receive a CC&N for the operation of a water utility at this time.

7. The public convenience and necessity do not require the

issuance of a CC&N to Lazy B for the operation of a water utility in the Lazy B Ranch subdivision.

8. Lazy B's application for a Certificate should be denied.

9. The Commission may deny the issuance of a Certificate and retain jurisdiction over Lazy B as a public service corporation.

10. Staff's recommendations, as set forth in Findings of Fact No. 12, are reasonable and should be adopted.

11. The rates and charges authorized hereinbelow are just and reasonable and should be approved.

ORDER

IT IS THEREFORE ORDERED that the application of John Baker, dba Lazy B Water Company, for a Certificate is hereby denied.

IT IS FURTHER ORDERED that the Commission shall retain jurisdiction over John Baker, dba Lazy B Water Company, and regulate its rates and service.

IT IS FURTHER ORDERED that the November 18, 1993 Motion to Withdraw filed by John Baker, dba Lazy B Water Company is hereby denied.

IT IS FURTHER ORDERED that John Baker, dba Lazy B Water Company, is hereby authorized the following rates and charges:

Monthly Usage Charge

5/8" x 3/4" Meter	$ 25.00
Commodity Charge (per 1,000 gallons)	$2.00

Service Line and Meter Installation Charges
(Refundable pursuant to A.A.C. R14-2-405)

5/8" x 3/4" Meter	$200.00

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Service Charges

Establishment	$25.00
Establishment (After Hours)	40.00
Re-connection (Delinquent)	10.00
Meter Test (If Correct)	25.00
Deposit	*
Deposit Interest	*
Re-establishment (Within 12 Months)	**
NSF Check	$ 15.00
Deferred Payment	12.00% per annum
Meter Re-read (If Correct)	$ 10.00

* Per Commission Rule A.A.C. R14-2-403(B).
** Months off system times the minimum (A.A.R. R14-2-403(D)).

OTHER RATES AND CHARGES:

In addition to the collection of its regular rates and charges, the Applicant shall collect from its customers their proportionate share of any privilege, sales or use tax in accordance with Commission Rule A.A.R. R14-2-409.D.5.

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided to customers on and after March 1, 1994.

IT IS FURTHER ORDERED that John Baker, dba Lazy B Water Company, shall notify its customers of the rates and charges authorized hereinabove and the effective date of same by means of an insert in its next regular monthly billing.

IT IS FURTHER ORDERED that within 30 days from the effective date of this Decision, John Baker, dba Lazy B Water Company, shall file with the Commission its tariff setting forth the rates and charges authorized hereinabove.

IT IS FURTHER ORDERED that John Baker, dba Lazy B Water Company, shall, within 15 months of the effective date of this Decision, file with the Commission a completed rate application which includes customer usage levels collected by monthly meter readings.

IT IS FURTHER ORDERED that John Baker, dba Lazy B Water Company, shall consider applying again for a Certificate concurrent with the

rate filing and provide the Commission at that time with sufficient financial and other information to show that Lazy B is a fit and proper entity for issuance of a Certificate.

IT IS FURTHER ORDERED that John Baker, dba Lazy B Water Company, shall seek Commission approval before increasing rates or charges to its customers.

IT IS FURTHER ORDERED that John Baker, dba Lazy B Water Company, shall comply with all Commission statutes and rules for public service corporations.

IT IS FURTHER ORDERED that John Baker, dba Lazy B Water Company, shall comply with the requirements of Pima County Department of Environmental Quality.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 2 day of February, 1994.

JAMES MATTHEWS
EXECUTIVE SECRETARY

DISSENT _____
PEC

DECISION NO. 58527

SERVICE LIST FOR: JOHN BAKER DBA LAZY B WATER COMPANY

DOCKET NO.: U-2706-93-033

John Baker
Lazy B Water Company
P.O. Box 11341
Tucson, Arizona 85734

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

Arizona Corporation Commission
DOCKETED
JUN 06 1990
DOCKETED BY

BEFORE THE ARIZONA CORPORATION COMMISSION

MARCIA WEEKS
CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
DALE H. MORGAN
COMMISSIONER

ARIZONA CORPORATION COMMISSION, Complainant, vs. SUNBURST INVESTMENTS, INC., dba LAZY B. WATER COMPANY, LOWELL F. JOHNSON and JOAN M. JOHNSON, Respondents.	DOCKET NO. U-0000-89-321 DECISION NO. 56970 **OPINION AND ORDER**

DATE OF HEARING: March 22, 1990

PLACE OF HEARING: Tucson, Arizona

PRESIDING OFFICER: Evo J. De Concini

APPEARANCES: Mr. Lowell F. Johnson, in Propia Persona; and

Mr. Paul A. Bullis, Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On February 21, 1990, in Decision No. 56826, the Arizona Corporation Commission ("Commission") filed a complaint ("the Complaint") against Sunburst Investments, Inc., ("Sunburst") dba Lazy B Water Company, Lowell F. Johnson and Joan M. Johnson ("Respondents") ordering them to appear and show cause why they should not be required to apply for a certificate of convenience and necessity ("CC&N") and comply with the rules and regulations of the Commission pertaining to the operation of a water public service corporation. Respondents did not answer the Complaint but Mr. Johnson attended the hearing.

The Complaint alleges, inter alia, that Respondents provide water service to a number of customers in Pima County, Arizona, and that by virtue of such

service Sunburst is a public service corporation subject to the jurisdiction of the Commission. The Complaint established the time and place for the hearing. The hearing commenced as scheduled. Respondents were represented by Mr. Lowell F. Johnson who is an officer and a director of Sunburst, and the Commission's Utilities Division Staff ("Staff") appeared through counsel. Evidence was presented and this matter was adjourned pending submission of a Recommended Opinion and Order by the Presiding Officer to the Commission.

DISCUSSION

General

Sunburst is an Arizona corporation owned by Mr. Lowell F. Johnson and Mrs. Joan M. Johnson. The Johnsons are also the officers and directors of the corporation. In or about 1982, Sunburst and Mr. Johnson's mother purchased the Lazy B Ranch originally consisting of approximately 52 acres and located southwest of Tucson, Pima County, Arizona.[1] With the purchase, Sunburst acquired the ranch house, a guest house, a mobile home, the well and well site. All of these structures were getting water from the subject well. Mr. Johnson's mother subsequently sold her 10 acres in three separate parcels. These property owners eventually obtained water from the same well. The two owners who previously acquired the balance of the ranch (2, five-acre parcels) were also getting water from this well. For a time, all of these property owners were getting their water free of charge. Sunburst sold two three-acre parcels and the owners began to get water from the well. Mr. Johnson testified that he had no problems with this arrangement because he thought he was helping his neighbors since they had no other source of water. He also believed that as long as he did not provide water to more than 25 "people" he did not need any authorization or permits (Tr. pp. 93 and 105). Some of the property owners

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1. Sunburst purchased 32 acres, Mrs. Johnson's mother purchased 10 acres and, prior to these sales, someone else purchased 10 acres.

later divided their properties and sold off parcels. These new owners also began to get their water from the same well bringing the total to 15-18 services. At that point, Sunburst decided to charge a monthly fee in order to defray the pumping cost. According to Mr. Johnson, that is when the service complaints began.

This 52-acre "ranch" is bordered on three sides by Federal land. The capacity of the well is approximately 25 gallons per minute and the system has a 1,500-gallon pressure (storage) tank. Even though some customers have water meters, all are charged a flat monthly rate.

The Staff first became aware of this operation in 1982 (Tr. p. 10). According to Mr. Johnson's testimony, Staff told him then that if he wanted to be in the "water business" he would have to obtain a CC&N. When Mr. Johnson emphatically indicated that he did not want to be in the "water business" and would gladly quit serving, he was told that he could not discontinue service to his current customers.

Sunburst and Mr. Johnson are caught in a dilemma. He does not want to be in the "water business" but, allegedly, he cannot get out by discontinuing service. In an effort to resolve this problem, Mr. Johnson has contacted the City of Tucson Water Department ("City") which has recently purchased a private water company in the area.[2] On October 18, 1989, Sunburst and the City executed the Agreement for Construction of Water Facilities to serve the subject properties and the customers currently being served by the Respondents under the name of Lazy B Water Company ("Lazy B") (Late Filed Exhibit R-2). According to the testimony, the necessary survey has been done, the plans have been approved by the City (Late Filed Exhibit R-1) and the construction contract has been let (Tr. p. 96). At this time only some right-of-ways need

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2. Arizona Maintenance Water Company.

to be obtained. The system will be installed per City specifications, will be turned over to the City at no charge and the City will then provide water service (Tr. pp. 98 and 99).

Staff's Recommendations

At the hearing, Staff made the following recommendations:

(A) Respondents be ordered to file a complete application for a CC&N within 30 days from the effective date of this Decision;

(B) Respondents be fined $5,000 for failure to file for a CC&N and for failure to answer the complaint;

(C) Respondents be fined $500 for each of the violations contained in the complaint (See Decision No. 56826); and

(D) the fines be waived if the Respondents file the CC&N application within the time specified herein.

We believe Staff's recommendations are too restrictive and too severe. Staff has known about and condoned Lazy B's operations for over eight years. To require Respondents to file a complete application for a CC&N within 30 days now that they are on the threshold of resolving their problems by installing basically an entire new system and turning it over to the City, seems to be an unnecessary burden and expense. In addition, there seems to be some questions as to whether or how well Respondents were previously informed of their options of forming a water cooperative, being adjudicated a non-public service corporation, etc. Mr. Johnson testified that, by his interpretation of an Arizona Department of Environmental Quality rule, the services rendered by Sunburst were not those of a public service corporation. Under the title Drinking Water and Certification, A.A.C. Chapter 4, Article 2, Rule R18-4-212 (X)(1) states:

> "Public water system" means a public water system which serves at least 15 service connections or

serves an average of at least 25 persons for at least 60 days a year.

In an effort to monitor this situation, we will require Respondents to file a monthly progress report on their negotiations with the City, and, to file an application for a CC&N (or an adjudication not a public service corporation) in the event the City is not providing water service to this specific area within 120 days from the effective date of this Decision. Should the City agree to take over and operate the Lazy B system, Respondents, within 15 days thereof, shall file an application with the Commission for authorization to dispose of the plant in accordance with A.R.S. §40-285. Respondents are also reminded that failure to comply with these directives will constitute contempt of the Commission which may result in fines being assessed in accordance with A.R.S. §40-424.

* * * * * * * * * *

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

FINDINGS OF FACT

1. Since 1982 Respondents have been providing water service to a small group of customers southwest of the City of Tucson, Pima County, Arizona.

2. Originally, Respondents were providing service to themselves, some relatives and a few tenants as part of a rental agreement.

3. As parcels were subsequently split and sold, additional consumers were added to the system.

4. Respondents are now charging these consumers a flat monthly fee to help defray the pumping costs.

5. Respondents do not have a CC&N to operate a public service corporation.

6. Respondents have no intention or desire to become a certificated

public service corporation.

7. Respondents have entered into an agreement with the City of Tucson whereby Respondents would make certain additions and modifications to their water system prior to turning same over to the City and allowing the City to serve the area.

8. On February 21, 1990, in Decision No. 56826, the Commission issued a Complaint and Order to Show Cause against Respondents alleging violation of A.R.S. §40-281 and various rules of the Commission.

9. Respondents admit operating the water system without a CC&N but thought such certification was discretionary in light of the A.A.C. R18-4-212 (X)(1) definition of a "public water system".

10. Insufficient information was rendered regarding violation of the various rules set forth in the Complaint and Order to Show Cause.

CONCLUSIONS OF LAW

1. By virtue of its provision of water service to its neighbors, Sunburst is a public service corporation within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over Respondents and of the subject matter of the Complaint and Order to Show Cause.

3. A.R.S. §40-281 and A.A.C. R14-2-402 require a public service corporation to obtain a CC&N from the Commission before constructing a water system.

4. The Commission may impose fines on public service corporations for violations of certain statutory requirements or Commission rules pursuant to A.R.S. §§40-424 and 40-425.

ORDER

IT IS THEREFORE ORDERED that Sunburst Investments, Inc., dba Lazy B Water Company, Mr. Lowell F. Johnson and Mrs. Joan M. Johnson be, and hereby are,

declared to be in violation of A.R.S. §40-281 and A.A.C. R14-2-402.

IT IS FURTHER ORDERED that Sunburst Investments, Inc., dba Lazy B Water Company, Mr. Lowell F. Johnson and Mrs. Joan M. Johnson shall continue their negotiations with the City of Tucson, Tucson Water Department for the additions, modifications, surrender and eventual operation of the Lazy B water system by the City of Tucson.

IT IS FURTHER ORDERED that Sunburst Investments, Inc., dba Lazy B Water Company, Mr. Lowell F. Johnson and Mrs. Joan M. Johnson shall file with the Arizona Corporation Commission every 30 days, commencing within 30 days from the effective date of this Decision, a written progress report on their negotiations with the City of Tucson, until such time as the City of Tucson has taken over the system and is providing water service to the customers.

IT IS FURTHER ORDERED that in the event negotiations with the City of Tucson fail, or for any reasons the City of Tucson is not serving the subject area within 120 days from the effective date of this Decision, Sunburst Investments, Inc., dba Lazy B Water Company, Mr. Lowell F. Johnson and Mrs. Joan M. Johnson shall immediately notify the Commission in writing and, within seven days thereof, shall file an application for a certificate of convenience and necessity or an adjudication not a public service corporation.

IT IS FURTHER ORDERED that should the City agree to take over and operate the Lazy B water system, Respondents, within 15 days thereof, shall file an application with the Commission for authorization to dispose of the plant in accordance with A.R.S. §40-285.

IT IS FURTHER ORDERED that the alleged violations set forth in the Complaint and Order to Show Cause, other than for A.R.S. §40-281 and A.A.C. R14-2-402, be, and same hereby are, dismissed without prejudice.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 6 day of June, 1990.

JAMES MATTHEWS
Executive Secretary

DISSENT_____

EDeC:dl

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BEFORE THE ARIZONA CORPORATION COMMISSION

MARCIA WEEKS
Chairman
RENZ D. JENNINGS
Commissioner
DALE H. MORGAN
Commissioner

ARIZONA CORPORATION COMMISSION, Complainant, vs. Sunburst Investments, Inc., dba Lazy B Water Company, Lowell B. Johnson and Joan M. Johnson, Respondents.	DOCKET NO. U-0000-89-321 DECISION NO. 56826 COMPLAINT AND ORDER TO SHOW CAUSE

Arizona Corporation Commission
DOCKETED
FEB 21 1990
DOCKETED BY

Open Meeting
February 21, 1990
Phoenix, Arizona

BY THE COMMISSION:

The Arizona Corporation Commission (Commission) for its complaint against the Respondent alleges:

I

Complainant is a duly and regularly constituted governmental agency of the State of Arizona existing by virtue of Article 15 of the Arizona Constitution.

II

Respondents Sunburst Investments, Inc., dba Lazy B Water Company, Lowell B. Johnson and Joan M. Johnson are a public service corporation providing water service in Pima County, Arizona.

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III

As a public service corporation, respondents are subject to the jurisdiction of the Commission in the matter herein further complained.

IV

Investigation by the Commission Staff reveals, and the Commission alleges that Respondents are in noncompliance with the Arizona Revised Statutes and Commission Rules as follows:

A. Lazy B and the Johnsons have constructed a water system without first obtaining from the Commission a Certificate of Convenience and Necessity in violation of A.R.S. Section 40-281 and A.A.C. R14-2-402.

B. Lazy B and the Johnsons have increased rates to customers without Commission approval in violation of A.R.S. Section 40-250.

C. Lazy B and the Johnsons failed to notify the customers of service interruptions in violation of A.A.C. R14-2-407.D.4.

D. Lazy B and the Johnsons have not maintained a minimum standard delivery pressure of 20 pounds per square inch at customer points of delivery in violation of A.A.C. R14-2-407.E.

E. Lazy B and the Johnsons have failed to read meters on a monthly basis in violation of A.A.C. R14-2-409.A.1.

F. Lazy B and the Johnsons have not billed customers on a monthly basis in violation of A.A.C. R14-2-409.A.1.

. . .

. . .

G. Lazy B and the Johnsons have failed to provide the necessary billing information in violation of A.A.C. R14-2-409.B.2.

H. Lazy B and the Johnsons have no on-site operator in violation of A.A.C. R14-2-411.B.

V

Staff is of the opinion that the allegations made herein are good cause for the Commission, pursuant to A.R.S. Section 40-424 and Section 40-425 to fine respondents not less than one hundred dollars ($100.00) and no more than five thousand dollars ($5,000.00) in contempt for each violation reflected in Paragraph IV.

ORDER

THEREFORE IT IS ORDERED that Respondents, Sunburst Investments, Inc., dba Lazy B Water Company, Lowell B. Johnson and Joan M. Johnson appear before the Arizona Corporation Commission, 402 W. Congress, Tucson, Arizona on March 22, 1990, at the hour of 10:00 a.m. and show cause, if any there be, why the Commission should not require Respondents, to file for a Certificate of Convenience and Necessity and comply with the Commission Rules, and further show cause, if any there be, why the Commission should not find Respondents in violation and fine Respondents pursuant to the provisions cited above.

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IT IS FURTHER ORDERED that Respondents shall within twenty (20) days of the date of service of this Complaint and Order to Show Cause file with the Commission a written answer in the form and manner required by Commission Rules.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I JAMES MATTHEWS, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 21 day of February, 1990.

JAMES MATTHEWS
Executive Secretary

DISSENT _____

GY:PW:djk

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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
FEB 28 1985
DOCKETED BY dmk

RICHARD KIMBALL
Chairman
MARCIA WEEKS
Commissioner
RENZ D. JENNINGS
Commissioner

IN THE MATTER OF THE APPLICATION FOR TRANSFER OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY OF E & T WATER COMPANY TO E & T WATER COMPANY, INC.	DOCKET NO. U-1409-84-162
IN THE MATTER OF THE APPLICATION OF E & T WATER COMPANY, INC., FOR APPROVAL OF STOCK ISSUE AND APPROVAL OF BORROWING AND ISSUING OF EVIDENCE OF INDEBTEDNESS.	DOCKET NO. U-1409-84-163 DECISION NO. 54385

OPINION AND ORDER

DATE OF HEARING: November 1, 1984

PLACE OF HEARING: Tucson, Arizona

HEARING OFFICER: Evo J. De Concini

APPEARANCES: J. Michael Tully
Attorney at Law,
on behalf of the Applicant;

Ann Garriott
Attorney, Legal Division,
on behalf of the Arizona Corporation Commission Staff.

BY THE COMMISSION:

FINDINGS OF FACT

1. E & T Water Company (hereinafter also referred to as "E & T" or "Applicant") is duly certificated by the Arizona Corporation Commission ("Commission") to operate as a public utility and is presently serving water to approximately 183 customers in an area south of the City of Tucson, Pima County, Arizona.

2. On July 23, 1982, E & T filed an Application with the Commission seeking authorization to transfer the Certificate of Convenience and Necessity and all its assets to E & T Water Company, Inc., an Arizona corporation ("Corporation"). At the same time said Corporation filed an Application for authorization to issue common stock and a promissory note in connection with the transfer. Both Applications were incomplete and could not be set for hearing. On June 4, 1984, more complete Applications were filed.

3. After the customary notice, these matters were set for hearing and subsequently heard by a duly authorized Hearing Officer of the Commission in Tucson, Arizona, on November 1, 1984.

4. At the request of the attorney for the Applicant and Corporation and without objections, the two matters were consolidated and heard jointly.

5. The subject Certificate of Convenience and Necessity was originally issued to Thomas J. Magdalenski and Emily Magdalenski, d/b/a E & T Water Company, in Decision No. 28483, dated October 29, 1954 (Exhibit No. A-2), and Decision No. 31972, dated December 16, 1959 (Exhibit No. A-3). In 1970, Mr. Magdalenski died and since then the water company has been owned and operated by Mrs. Magdalenski (Tr., p. 7).

6. On February 12, 1982, Mrs. Magdalenski and children filed Corporate Articles with the Commission, forming a corporation known as the E & T Water Company, Inc. The purpose behind the creation of said Corporation was to provide for the continued operation of the water company, without delay or interruption, in the event of an illness or demise of Mrs. Magdalenski.

7. The Corporation has agreed to acquire the Certificate of Convenience and Necessity and all the assets of the water company and pay E & T the sum of $15,132, in the following manner:

$8,132 by the Corporation issuing to Emily Magdalenski, the seller, 100 shares of its common stock.

$7,000 by the Corporation issuing a promissory note in favor of the seller, payable at $320 per month including 9% interest.

8. According to the testimony, there are no outstanding meter deposits, security deposits or line extension agreements to be assumed by the Corporation (Tr., p. 13).

9. Pursuant to Petition, on March 1, 1983, the Pima County Board of Supervisors transferred the E & T Franchise to the Corporation.

10. All the well sites of E & T are located on property owned by Mrs. Magdalenski and upon which she resides. In order to avoid a costly survey of said well sites at the present time, Mrs. Magdalenski has executed and filed on her behalf as owner of E & T, and as President on behalf of the Corporation, an "Irrevocable License and Partition Agreement" (Exhibit No. A-4).

11. The proposed issuance of common stock and of a promissory note under the terms and conditions set forth herein is compatible with the public interest, sound financial practices and with the proper performance by Corporation of service as a public service corporation and would not impair its ability to perform such service.

12. The proposed financing has been approved by Corporation's Board of Directors.

13. The purposes for which said common stock and

promissory note are to be issued are not wholly or in part chargeable to operating expense or income.

14. No one appeared in opposition to these Applications.

CONCLUSIONS OF LAW

1. The Commission has constitutional and statutory jurisdiction over these two companies and the subject matter of these two Applications.

2. The proposed type of financing is for lawful purposes and within the corporate powers of E & T Water Company, Inc.

3. The transfer of the Certificate of Convenience and Necessity from E & T Water Company to E & T Water Company, Inc., is in the public interest.

4. The Applications of E & T and Corporation herein should be approved.

ORDER

WHEREFORE, IT IS ORDERED, that the Application of E & T Water Company for authorization to transfer its Certificate of Convenience and Necessity as well as all its assets and liabilities related to the procurement and distribution of water to E & T Water Company, Inc., an Arizona corporation, be, and same is hereby granted.

IT IS FURTHER ORDERED, that the Application of E & T Water Company, Inc. for authorization to issue 100 shares of its common stock for $8,132 and a promissory note in an amount not to exceed $7,000, amortized as herein set forth, be, and same is hereby granted.

IT IS FURTHER ORDERED, that E & T Water Company, Inc.

shall cause to be recorded in the Office of the County Recorder, Pima County, Arizona, that certain instrument entitled "Irrevocable License and Partition Agreement" and shall file a copy of said recorded instrument with all pertinent recording information noted thereon, with the Arizona Corporation Commission within thirty (30) days from the date of this Decision.

IT IS FURTHER ORDERED, that the rates and tariffs heretofore approved for E & T Water Company shall henceforth apply to E & T Water Company, Inc.

IT IS FURTHER ORDERED, that approval of the requested financing agreement as set forth hereinabove does not constitute or imply approval or disapproval by the Commission of any particular expenditure of the proceeds derived thereby for purposes of establishing just and reasonable rates.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, G. C. ANDERSON, JR., Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 28th day of February, 1985.

G. C. ANDERSON, JR.
Executive Secretary

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

AUG 01 1991

DOCKETED BY

RENZ D. JENNINGS
Chairman
MARCIA WEEKS
Commissioner
DALE H. MORGAN
Commissioner

ARIZONA CORPORATION COMMISSION, Complainant, vs. SUNBURST INVESTMENTS, INC., DBA LAZY B WATER COMPANY, LOWELL F. JOHNSON AND JOAN M. JOHNSON, Respondents.	DOCKET NO. U-0000-91-090 DECISION NO. 57498 **OPINION AND ORDER**

DATE OF HEARING: May 9, 1991

PLACE OF HEARING: Tucson, Arizona

PRESIDING OFFICER: Evo J. De Concini

APPEARANCES: Mr. Lowell F. Johnson, in propria persona; and

Mr. Christopher C. Kempley, Assistant Chief Counsel, Legal Division, on behalf of the Arizona Corporation Commission Staff.

BY THE COMMISSION:

On April 3, 1991, in Decision No. 57307, the Arizona Corporation Commission ("Commission") issued a Complaint and Order to Show Cause ("OSC") against Sunburst Investments, Inc., ("Sunburst") dba Lazy B Water Company, Mr. Lowell F. Johnson and Ms. Joan M. Johnson (collectively "Respondents") alleging that Respondents are in noncompliance with Commission's Decision No. 56970 (June 6, 1990). A copy of the OSC was mailed to the Respondents on April 5, 1991. There was no response. On April 10, 1991, a Notice of this hearing was also mailed to the Respondents.

On May 6, 1991, a subpoena was duly served on Mr. Johnson ordering him to appear and give testimony at the hearing.

At the prescribed time and place this matter came on for hearing before a duly authorized Hearing Officer of the Commission in Tucson, Arizona. The Commission's Utilities Division Staff ("Staff") was present and represented by counsel. No one appeared on behalf of Respondent. Four hours and forty minutes after the scheduled time of the hearing, Mr. Johnson came to the Commission's offices and requested he be allowed to make a statement. Without objection, Mr. Johnson was permitted to make a statement on the record. At the conclusion, the proceeding was adjourned pending submission of a recommended Opinion and Order by the Hearing Officer to the Commission.

DISCUSSION

Sunburst is an Arizona corporation owned by the Respondents. According to Commission records, Sunburst, dba Lazy B Water Company, provides water service to approximately 15 customers. On October 18, 1989, Sunburst and the City of Tucson Water Department ("City") executed an "Agreement for Construction of Water Facilities" to serve all of Sunburst's customers.

On February 21, 1991, in Decision No. 56826, the Commission issued an OSC against Sunburst and Respondents ordering them to appear and show cause why they should not be required to apply for a certificate of convenience and necessity ("CC&N") and comply with the rules and regulations of the Commission pertaining to the operation of a water public service corporation. That matter was heard on March 22, 1990, and Decision No. 56970 was issued on June 6, 1990. In it, the Commission, inter alia, found that Sunburst and

Respondents were providing water service to a number of customers in Pima County, Arizona, and that by virtue of such service, Sunburst was a public service corporation subject to the jurisdiction of the Commission. The Commission declared Sunburst and Respondents to be in violation of A.R.S. § 40-281 and A.A.C. R14-2-402.

In Decision No. 56970, the Commission ordered Sunburst and Respondents to proceed as follows as follows:

> " . . . continue their negotiations with the City of Tucson, Tucson Water Department for the additions, modifications, surrender and eventual operation of the Lazy B Water System by the City of Tucson."
>
> ". . . file with the Commission every 30 days, commencing within 30 days from the effective date of this Decision, a written progress report on their negotiations with the City of Tucson, until such time as the City of Tucson has taken over the system and is providing water service to the customers."
>
> ". . . in the event negotiations with the City of Tucson fail, or for any reasons the City of Tucson is not serving the subject area within 120 days from the effective date of this Decision, (Respondents) shall immediately notify the Commission in writing and, within seven days thereof, shall file an application for a certificate of convenience and necessity or an adjudication not a public service corporation."

By letter dated July 17, 1990 (Exhibit C-2), the Respondents notified the Commission that negotiations with the City had been discontinued and that they had decided to start their own water company.

According to Decision No. 56970, Respondents had seven days in which to file an application for a CC&N or an adjudication not a public service corporation. To date, no such applications have been filed. During his very brief appearance at the end of the subject proceeding, Mr. Johnson stated that "Two days before the property

went to trustee sale, we quit-claimed our interest to another party for the back payments. . . So we no longer own the property. I no longer own the water company."

Staff is of the opinion that the Commission has good cause to find the Respondents in contempt of Decision No. 56970 and fine said Respondents pursuant to A.R.S. §§ 40-424 and 40-425, not less than $100.00 and not more than $5,000.

FINDINGS OF FACT

1. In a previous proceeding, the subject of Decision No. 56970, Respondents admitted to operating a water system without a CC&N.

2. On June 6, 1990, in Decision No. 56970, the Commission ordered Respondents to ". . . continue their negotiations with the City of Tucson, Tucson Water Department for the additions, modifications, surrender and eventual operation of the Lazy B Water System by the City of Tucson."

3. On July 17, 1990, the Respondents notified the Commission that negotiations with the City had been discontinued and that they had decided to "start their own water company".

4. According to the provisions of Decision No. 56970, the Respondents had seven days from that date in which to file an application for a CC&N or for an adjudication not a public service corporation.

5. To date, Respondents have not filed such applications.

6. Respondents are in contempt of Decision No. 56970.

7. Staff recommends Respondents be fined no less than $100.00 and not more than $5,000.

CONCLUSIONS OF LAW

1. Sunburst is a public service corporation within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over Sunburst and Respondents and of the subject matter of the Complaint and Order to Show Cause.

3. A.R.S. § 40-281 and A.A.C. R14-2-402 require a public service corporation to obtain a CC&N from the Commission before constructing a water system.

4. The Commission may impose fines on public service corporations for violations of certain statutory requirements or Commission Orders or Rules pursuant to A.R.S. §§ 40-424 and 40-425.

ORDER

IT IS THEREFORE ORDERED that Mr. Lowell F. Johnson and Ms. Joan M. Johnson, husband and wife, and Sunburst Investments, Inc., dba Lazy B Water Company, be, and hereby are, found in contempt of Arizona Corporation Commission Decision No. 56970, and are each fined the sum of $1,000.00 to be paid in cash or by way of a cashier's check to the Arizona Corporation Commission within 30 days from the effective date of this Decision.

IT IS FURTHER ORDERED that within 30 days from the effective date of this Decision, Mr. Lowell F. Johnson shall provide the Arizona Corporation Commission in writing, evidence that title to

the subject property to include wells and well sites, has been transferred to another owner, identifying the new owner and the address of same, or file a Deed in lieu of foreclosure.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 1 day of August, 1991.

JAMES MATTHEWS
EXECUTIVE SECRETARY

DISSENT _____

EDEC:dmr

BEFORE THE ARIZONA CORPORATION COMMISSION

MARCIA WEEKS
Chairman
RENZ D. JENNINGS
Commissioner
DALE H. MORGAN
Commissioner

ARIZONA CORPORATION COMMISSION, Complainant, vs. SUNBURST INVESTMENTS, INC., DBA LAZY B WATER COMPANY, LOWELL B. JOHNSON AND JOAN M. JOHNSON, Respondent.	DOCKET NO. U-0000-91-090 DECISION NO. 57307 COMPLAINT AND ORDER TO SHOW CAUSE

Arizona Corporation Commission
DOCKETED
APR 03 1991
DOCKETED BY

Open Meeting
April 3, 1991
Phoenix, Arizona

BY THE COMMISSION:

The Arizona Corporation Commission (Commission) for its complaint against the Respondent alleges:

I

Complainant is a duly and regularly constituted governmental agency of the State of Arizona existing by virtue of Article 15 of the Arizona Constitution.

II

Respondents Sunburst Investments, Inc., dba Lazy B Water Company, Lowell B. Johnson and Joan M. Johnson is a public service corporation providing water service in Pima County, Arizona.

III

As a public service corporation, Respondents are subject to the jurisdiction of the Commission in the matter herein further complained.

IV

In Decision No. 56970, the Commission ordered the Respondents to negotiated with the City of Tucson to have them take over operation of the system. Respondents were also ordered to file an application for a Certificate of Convenience and Necessity or an adjudication not a public service corporation within seven (7) days of notifying the Commission that negotiations with the city had failed, or if for any reason the City of Tucson was still not serving the subject area within 120 days from the effective date of the Commission's decision.

V

Investigation by the Commission Staff reveals, and the Commission alleges that Respondents are in noncompliance with Decision No. 56970 as follows:

A. On July 18, 1990, the Respondents notified the Commission that negotiations with the City of Tucson had been discontinued and that they had decided to start their own water company. Respondents, according to Decision No. 56970, had seven (7) days in which to file an application for a Certificate of Convenience and Necessity or an adjudication not public service corporation. No such application has been filed as of March 12, 1991.

VI

Staff is of the opinion that the allegations made herein are good cause for the Commission, pursuant to A.R.S. §40-424 and §40-425 to fine Respondent not less than one hundred dollars ($100.00) and no more than five thousand ($5,000.00) in contempt for the violation reflected in Paragraph V.

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. . .

Order

THEREFORE IT IS ORDERED that Respondent, Sunburst Investments, Inc., dba Lazy B Water Company, Lowell B. Johnson and Joan M. Johnson appear before the Arizona Corporation Commission, at a time and place to be set by the Commission, if any there be, why the Commission should not find Respondent in violation of Decision No. 56970 and fine them pursuant to the provisions cited above.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 3 day of April, 1991.

JAMES MATTHEWS
Executive Secretary

DISSENT _____

GY:PW:djk

BEFORE THE ARIZONA CORPORATION COMMISSION

MILTON J. HUSKY
Chairman
DICK HERBERT
Commissioner
E. T. "EDDIE" WILLIAMS, JR.
Commissioner

IN THE MATTER OF THE AMENDED APPLICATION OF THOMAS J. MAGDALENSKI AND EMILY MAGDALENSKI, DBA E. AND T. WATER COMPANY, FOR A CERTIFIDATE OF CONVENIENCE AND NECESSITY IN THE ADDITIONAL TERRITORY DESCRIBED AS THE NORTHERLY HALF OF SECTION 6, TOWNSHIP 16 SOUTH, RANGE 14 EAST, LYING TO THE EAST OF THE TUCSON NOGALES HIGHWAY AND NOGALES RAILROAD RIGHT OF WAY, PIMA COUNTY, ARIZONA.

DOCKET NO. U-1409 DECISION NO. 37916

AMENDED OPINION AND ORDER

BY THE COMMISSION:

On December 16, 1959 this Commission issued Decision No. 31972, wherein it granted a certificate of convenience and necessity to Thomas J. Magdalenski and Emily Magdalenski, dba E. and T. Water Company, to serve an area as fully set forth and described in said Decision. In said Decision No. 31972, the Commission approved the form of application for service and acceptance of deposit adopted by applicants for use hereunder and as attached to applicant's application. This form of application for service stated as follows:

> The Customer does hereby further make application to the Company to connect his property located as aforesaid to the water mains of the Company and for the installation of a meter thereat, and does hereby pay to said Company the sum of $50.00 which the Customer hereby acknowledges is to be retained by the Company as and for the reasonable cost of such connection and installation.

The above paragraph is in direct conflict with Rule V of General Order No. U-4 which was in full force and effect at the time Decision No. 31972 was issued, and is and was in violation with such General Order.

WHEREFORE IT IS ORDERED that Decision No. 31972 issued by this Commission on December 16, 1959, bearing Docket No. U-1409, is hereby amended to delete therefrom the following paragraph, being the last paragraph on page 5 of said Decision No. 31972:

> The form of application for service and acceptance of deposit adopted by applicants for use hereunder is attached herewith and by reference is made a part of this Order and Decision.

The remainder of said Decision No. 31972 shall remain in full force and effect as issued.

DOCKET NO. U-1409 DECISION NO. 37916

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, GEORGE S. LIVERMORE, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol, in the City of Phoenix, this 12th day of July, 1965.

GEORGE S. LIVERMORE
EXECUTIVE SECRETARY

IRMAN COMMISSIONER COMMISSIONER

ARIZONA CORPORATION COMMISSION
NOV 18
RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE AMENDED APPLICATION OF THOMAS J. MAGDALENSKI AND EMILY MAGDALENSKI, DBA E. AND T. WATER COMPANY, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY IN THE ADDITIONAL TERRITORY DESCRIBED AS THE NORTHERLY HALF OF SECTION 6, TOWNSHIP 16 SOUTH, RANGE 14 EAST, LYING TO THE EAST OF THE TUCSON NOGALES HIGHWAY AND NOGALES RAILROAD RIGHT OF WAY, PIMA COUNTY, ARIZONA.

DOCKETED
DEC 11 1959
DOCKETED BY

DOCKET NO. U-1409 DECISION NO. 31972

OPINION AND ORDER

By the Commission:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting in Tucson, Arizona on November 9th, 1959.

Applicants, Thomas J. Magdalenski and Emily Magdalenski appeared in person and were represented by Irving Kipnis, Attorney at Law and testimony was presented both oral and documentary;

Said application prior to amendment requested the additional territory described as all of Section 6, Township 16 South, Range 14 East; Section 5, Township 16 South, Range 14 East; Section 32, Township 15, South Range 14 East, Section 33, Township 15 South, Range 14 East, Section 34, Township 15 South, Range 14 East; also Section 31, Township 15 South, Range 14 East, Pima County, Arizona.

The application prior to amendment was opposed by the City of Tucson, the City of Tucson being represented by Enos P. Schaffer, Attorney at Law.

The application prior to amendment was opposed by Pioneer Water, Inc., Pioneer Water, Inc. being represented by Calvin Webster, President of Pioneer Water, Inc.

The application prior to amendment was opposed by ABC Construction Company, ABC Construction Company being represented by B. G.

CATE OF CONVENIENCE AND NECESSITY IN THE ADDITIONAL TERRITORY DESCRIBED AS THE NORTHERLY HALF OF SECTION 6, TOWNSHIP 16 SOUTH, RANGE 14 EAST, LYING TO THE EAST OF THE TUCSON NOGALES HIGHWAY AND NOGALES RAILROAD RIGHT OF WAY, PIMA COUNTY, ARIZONA.

DOCKETED

DOCKET NO. U-1409 DECISION NO. 31972

DEC 1959

OPINION AND ORDER

DOCKETED BY

By the Commission:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting in Tucson, Arizona on November 9th, 1959.

Applicants, Thomas J. Magdalenski and Emily Magdalenski appeared in person and were represented by Irving Kipnis, Attorney at Law and testimony was presented both oral and documentary;

Said application prior to amendment requested the additional territory described as all of Section 6, Township 16 South, Range 14 East; Section 5, Township 16 South, Range 14 East; Section 32, Township 15, South Range 14 East, Section 33, Township 15 South, Range 14 East, Section 34, Township 15 South, Range 14 East; also Section 31, Township 15 South, Range 14 East, Pima County, Arizona.

The application prior to amendment was opposed by the City of Tucson, the City of Tucson being represented by Enos P. Schaffer, Attorney at Law.

The application prior to amendment was opposed by Pioneer Water, Inc., Pioneer Water, Inc. being represented by Calvin Webster, President of Pioneer Water, Inc.

The application prior to amendment was opposed by ABC Construction Company, ABC Construction Company being represented by B. G. Thompson, Attorney at Law.

Upon motion of Irving Kipnis, attorney for said applicants, the following described territory was deleted from the application as originally filed herein:

IRVING KIPNIS
ATTORNEY AT LAW
[illegible] NORTH CHURCH
TUCSON, ARIZONA

(A) Upon the representation by B. G. Thompson, attorney at law, acting as attorney for ABC Construction Company that the aforesaid ABC Construction Company is the owner of land lying within the South half of Section 6 and in part of Section 5, Township 16 South, Range 14 East, it was thereupon requested by the attorney for the applicants to delete such land from the territory requested to be served by the application, said motion being granted by the Commission.

(B) Upon the representation by Enos P. Schaffer, attorney at law, acting as attorney for the City of Tucson, that Sections 31, 32, 33 and 34 in Township 15, South, Range 14 East are either State land or are committed either to the Hughes Tool Company or to the Tucson Airport Authority, it was thereupon requested by the attorney for the applicants to delete such land from the territory requested to be served by the application, said motion being granted by the Commission.

(C) Upon the representation by Enos P. Schaffer, attorney at law, acting as attorney for the City of Tucson, that the said City of Tucson is the owner of a well site located on Parcel 24 located within Section 6, Township 16 South, Range 14 East, it was thereupon requested by the attorney for the applicants to delete such land from the territory requested to be served by the application, said motion being granted by the Commission.

(D) Upon the representation by Enos P. Schaffer, attorney at law, acting as attorney for the City of Tucson, that the said City of Tucson is now serving the area located in Section 6, Township 16 South, Range 14 East, lying to the West of the Tucson Nogales Highway and Nogales Railroad Right of Way and more fully described as follows:

aforesaid ABC Construction Company is the owner of land lying within the South half of Section 6 and in part of Section 5, Township 16 South, Range 14 East, it was thereupon requested by the attorney for the applicants to delete such land from the territory requested to be served by the application, said motion being granted by the Commission.

(B) Upon the representation by Enos P. Schaffer, attorney at law, acting as attorney for the City of Tucson, that Sections 31, 32, 33 and 34 in Township 15, South, Range 14 East are either State land or are committed either to the Hughes Tool Company or to the Tucson Airport Authority, it was thereupon requested by the attorney for the applicants to delete such land from the territory requested to be served by the application, said motion being granted by the Commission.

(C) Upon the representation by Enos P. Schaffer, attorney at law, acting as attorney for the City of Tucson, that the said City of Tucson is the owner of a well site located on Parcel 24 located within Section 6, Township 16 South, Range 14 East, it was thereupon requested by the attorney for the applicants to delete such land from the territory requested to be served by the application, said motion being granted by the Commission.

(D) Upon the representation by Enos P. Schaffer, attorney at law, acting as attorney for the City of Tucson, that the said City of Tucson is now serving the area located in Section 6, Township 16 South, Range 14 East, lying to the West of the Tucson Nogales Highway and Nogales Railroad Right of Way and more fully described as follows:

> Parcel 82, Lot 4, Parcel 8, Parcel 19, Parcel 61, Lot 5, Lot 6, Lot 7, Parcel 2, Parcel 6, Parcel 5, Parcel 62, as appears in the Assessor's Record Map of Pima County in the office of said Pima County Assessor,

it was thereupon requested by the attorney for the applicants to

IRVING KIPNIS
ATTORNEY AT LAW
200 NORTH CHURCH
TUCSON, ARIZONA

delete such land from the territory requested to be served by the application, said motion being granted by the Commission.

(E) Upon the sworn testimony of Mrs. Boyd, who represented that she and her husband were the owners of a parcel of land within Parcel 32 of the aforesaid Section 6, Township 16 South, Range 14 East; and it appearing that the aforesaid Mrs. Boyd preferred being served by the City of Tucson Water Utility System. Said Parcel 32 is to be excluded from applicants territory to be served for the period of 150 days from November 9th, 1959, for the purpose of allowing the City of Tucson such time within which to serve aforesaid Mrs. Boyd.

It now appears that the application on file herein is hereby amended to read as follows:

The area generally described as the Northerly half of Section 6, Township 16 South, Range 14 East, lying to the East of the Tucson Nogales Highway and Nogales Railroad Right of Way consisting of Parcels numbered 1, 90, 91, 88, 26, 40, 93, 27, 81, 31, aforesaid parcels lying to the North of Frazier Road and as more particularly appears in the Pima County Assessor's Record Map, plus Parcel 70, 73, 74, 75, 48, 50, 65, 66, 49, 60, 67, 76, 63, 25, 28, 29, 64, 30, 33, 34, 39, all of said parcels being located South of Frazier Road and to the North of McKain Road as more particularly appears in the Pima County Assessor's Record Map; plus Parcel 47, 35, 46, 78, 79, 80, 45, 71, 72, 77 and 69, said parcels lying to the South of McKain Road and to the North of Summitt Street.

A copy of said Assessor's Map being attached herewith and the area now being serviced by the applicants being colored in red and additional territory to be serviced being colored in green and that the area deleted from said Section 6, Township 16 South, Range 14

(E) Upon the sworn testimony of Mrs. Boyd, who represented that she and her husband were the owners of a parcel of land within Parcel 32 of the aforesaid Section 6, Township 16 South, Range 14 East; and it appearing that the aforesaid Mrs. Boyd preferred being served by the City of Tucson Water Utility System. Said Parcel 32 is to be excluded from applicants territory to be served for the period of 150 days from November 9th, 1959, for the purpose of allowing the City of Tucson such time within which to serve aforesaid Mrs. Boyd.

It now appears that the application on file herein is hereby amended to read as follows:

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A copy of said Assessor's Map being attached herewith and the area now being serviced by the applicants being colored in red and additional territory to be serviced being colored in green and that the area deleted from said Section 6, Township 16 South, Range 14 East being colored in blue, and that said map attached hereto shall be a part of this Order and Decision.

IRVING KIPNIS
ATTORNEY AT LAW
[illegible]
TUCSON, ARIZONA

It further appears that letters were received by the Commission from various individuals and said letters were numbered amongst applicants documentary exhibits. Said letters were from developers and owners of property located in the Northerly area of Section 6, Township 16 South, Range 14 East, lying to the East of the Tucson Nogales Highway and Nogales Railroad Right of Way.

Testimony was presented both oral and documentary. Witnesses were sworn and examined, said witnesses being owners of land and developers of land in the aforesaid Northerly area of Section 6, Township 16 South, Range 14 East, and from the testimony and letters, it appearing to the Commission that an immediate need for a supply of water in the general area described as the Northerly portion of the aforesaid Section 6, Township 16 South, Range 14 East; and

It further appearing to the Commission that the applicants have a franchise from Pima County Board of Supervisors authorizing said applicants to construct, own and maintain water mains, pipes, lines, connections, and services in, on, along, over and across part of Section 6, Township 16 South, Range 14 East, in that area more generally described as Sky Line Ranchos; and it further appears that the applicants at present have a Certificate of Convenience and Necessity authorizing said applicants to operate and maintain a public water system within the area described as Sky Line Ranchos and as more particularly described in the Opinion and Order in Docket No. U-1409 and Decision No. 28483 of the Arizona Corporation Commission.

It further appearing to the Commission that the applicants have an additional franchise from Pima County for all of the aforesaid Section 6.

It further appears that the applicants presently have an ample

from various individuals and said letters were numbered amongst applicants documentary exhibits. Said letters were from developers and owners of property located in the Northerly area of Section 6, Township 16 South, Range 14 East, lying to the East of the Tucson Nogales Highway and Nogales Railroad Right of Way.

Testimony was presented both oral and documentary. Witnesses were sworn and examined, said witnesses being owners of land and developers of land in the aforesaid Northerly area of Section 6, Township 16 South, Range 14 East, and from the testimony and letters, it appearing to the Commission that an immediate need for a supply of water in the general area described as the Northerly portion of the aforesaid Section 6, Township 16 South, Range 14 East; and

It further appearing to the Commission that the applicants have a franchise from Pima County Board of Supervisors authorizing said applicants to construct, own and maintain water mains, pipes, lines, connections, and services in, on, along, over and across part of Section 6, Township 16 South, Range 14 East, in that area more generally described as Sky Line Ranchos; and it further appears that the applicants at present have a Certificate of Convenience and Necessity authorizing said applicants to operate and maintain a public water system within the area described as Sky Line Ranchos and as more particularly described in the Opinion and Order in Docket No. U-1409 and Decision No. 28483 of the Arizona Corporation Commission.

It further appearing to the Commission that the applicants have an additional franchise from Pima County for all of the aforesaid Section 6.

It further appears that the applicants presently have an ample supply of potable water and that said applicants are financially able to install all facilities necessary to the establishment, maintenance and operation of said water system, all in accordance with the provisions of the statutes of Arizona and the current rules

IRVING KIPNIS
ATTORNEY AT LAW
204 NORTH CHURCH
TUCSON, ARIZONA

and regulations of the Commission.

It further appears that the application as amended does not conflict with any other person or corporation furnishing a service of like character within the area sought to be certificated and that a need and demand has been established and exists for the proposed service supporting a finding of convenience and necessity therefore.

WHEREFORE, IT IS ORDERED that the application be, and it is hereby approved as amended, and this order shall constitute and be a certificate of convenience and necessity as contemplated by the provisions of Section 40-281, A.R.S., authorizing applicants herein to construct, operate and maintain a public water system within the

conflict with any other person or corporation furnishing a service of like character within the area sought to be certificated and that a need and demand has been established and exists for the proposed service supporting a finding of convenience and necessity therefore.

WHEREFORE, IT IS ORDERED that the application be, and it is hereby approved as amended, and this order shall constitute and be a certificate of convenience and necessity as contemplated by the provisions of Section 40-281, A.R.S., authorizing applicants herein to construct, operate and maintain a public water system within the area generally described as the Northerly half of Section 6, Township 16 South, Range 14 East, lying to the East of the Tucson Nogales Highway and Nogales Railroad Right of Way consisting of Parcels numbered 1, 90, 91, 88, 26, 40, 93, 27, 81, 31, aforesaid parcels lying to the North of Frazier Road and as more particularly appears in the Pima County Assessor's Record Map, plus Parcel 70, 73, 74, 75, 48, 50, 65, 66, 49, 60, 67, 76, 63, 25, 28, 29, 64, 30, 33, 34, 39, all of said parcels being located South of Frazier Road and to the North of McKain Road as more particularly appears in the Pima County Assessor's Record Map; plus Parcel 47, 35, 46, 78, 79, 80, 45, 71, 72, 77, and 69, said parcels lying to the South of McKain Road and to the North of Summitt Street.

The rates and charges which are approved and which shall be charged are as follows:

For the first 3,000 gallons or less of water for each consumer per month -	$4.00
For each 1,000 gallons or major fraction thereof, in excess of the minimum 3,000 gallons per consumer per month -	.35

The form of application for service and acceptance of deposit adopted by applicants for use hereunder is attached herewith and by reference is made a part of this Order and Decision.

All other rates and charges shall be in accordance with General Order U-4, Rules and Regulations for Domestic Water Companies, which became effective as of January 15, 1955.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, FRANCIS J. BYRNES, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 16th day of December, 1959.

Francis J. Byrnes

FRANCIS J. BYRNES
SECRETARY

CHAIRMAN COMMISSIONER COMMISSIONER

General Order W-4, Rules and Regulations for Domestic Water Companies, which became effective as of January 15, 1955.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, FRANCIS J. BYRNES, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 16th day of December, 1959.

Francis J. Byrnes

FRANCIS J. BYRNES
SECRETARY

CHAIRMAN | COMMISSIONER | COMMISSIONER

IRVING KIPNIS
ATTORNEY AT LAW
NORTH CHURCH
TUCSON, ARIZONA

APPLICATION FOR SERVICE AND ACCEPTANCE OF DEPOSIT

THOMAS J. AND EMILY MAGDALENSKI, dba

E. AND T. WATER COMPANY

APPLICATION AND DEPOSIT

The undersigned (hereinafter called the Customer), hereby applied to Thomas J. and Emily Magdalenski, dba E. and T. Water Company (hereinafter called the Company) for water service at his _____ located at _____
Residence or Business
_____ Pima County, Arizona, subject to the established rates, rules and regulations of the Company, which the Customer acknowledges are on file in the office of the Company subject to the inspection of the Customer at reasonable hours and times, and to which rates, rules and regulations the Customer does hereby agree.

The Customer does hereby deposit with the Company the sum of $10.00 as a guarantee of his account, and agrees that if he fails to pay bills for water furnished hereunder, as and when the same become due and payable, said deposit, or any part thereof, may be applied toward such payment upon discontinuance of service for non-payment.

The Customer does hereby further make application to the Company to connect his property located as aforesaid to the water mains of the Company and for the installation of a meter thereat, and does hereby pay to said Company the sum of $50.00 which the Customer hereby acknowledges is to be retained by the Company as and for the reasonable cost of such connection and installation.

This application shall not bind the Company to serve except under reasonable conditions, nor the Customer to receive service for a period longer than the period provided for in the schedule under which the Customer receives service.

_____
APPLICANT

- -

RECEIPT AND ACCEPTANCE OF DEPOSIT

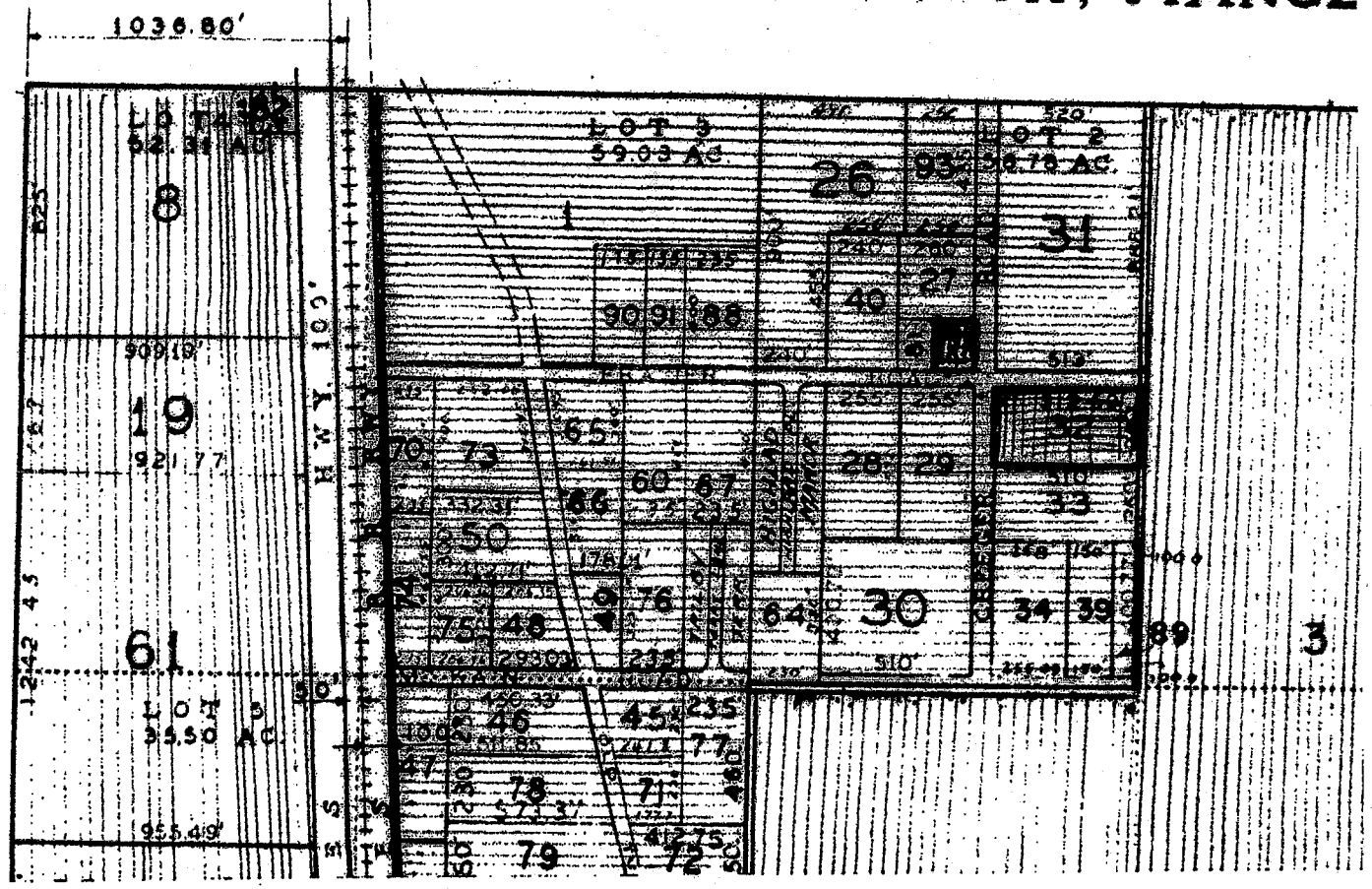
The Company hereby accepts the above application and deposit and agrees that if the Customer promptly pays bills for water furnished hereunder and otherwise fully complies with the rules and regulations of the Company, said deposit will be refunded to the Customer at such time as this receipt is returned to the Company and service is discontinued.

Dated this _____ day of _____

_____

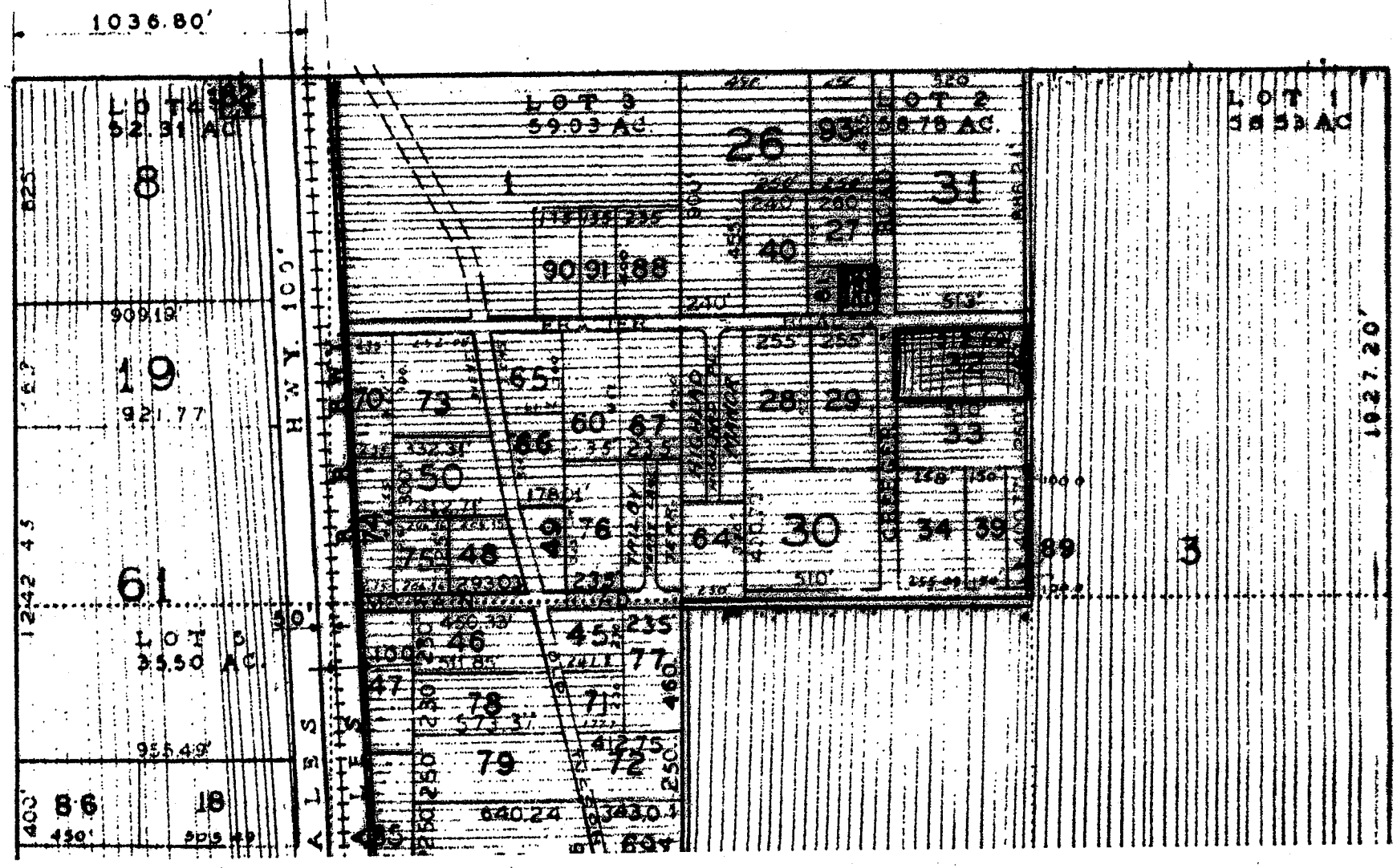
ASSESSOR'S RECORD MAP

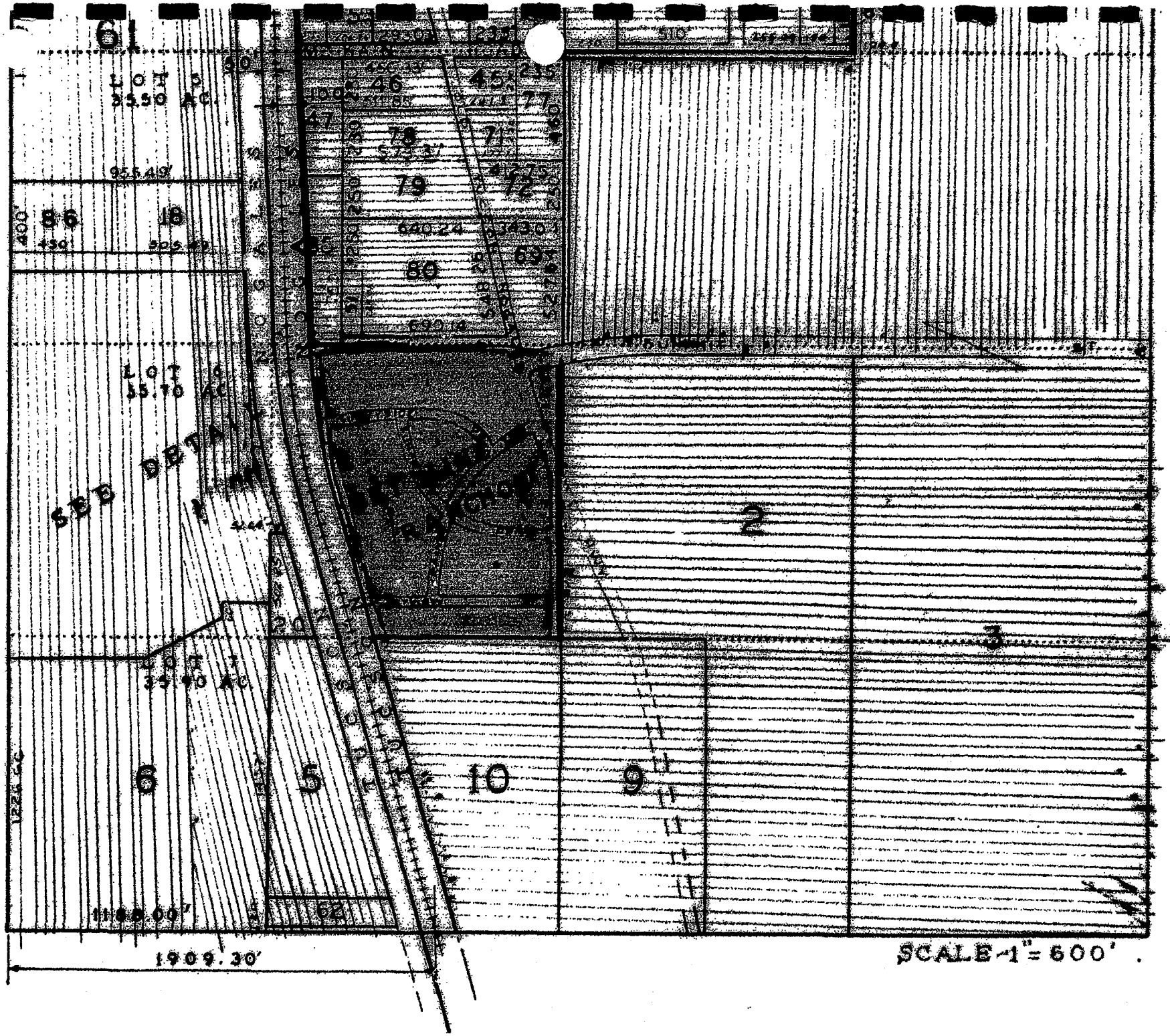
SECTION 6, TOWNSHIP 16 SOUTH, RANGE



RECORD MAP

ION 6, TOWNSHIP 16 SOUTH, RANGE 14 EAST




61
LOT 5
35.50 AC.
955.49'
86
18
LOT 6
35.70 AC
SEE DETAIL
LOT 7
35.90 AC
1188.00'
1909.30'
46
45
77
78
71
79
72
80
69
2
3
6
5
10
9
62
SCALE-1" = 600'

CORPORATION COMMISSION
MAPPING DIVISION

NAME OF COMPANY: E AND T WATER CO.

DOCKET NUMBER: U-1409

DECISION NO. 31972 — DEC. 16, 1959

Sec. 6: Parcels #1, 90, 91, 88, 26, 40, 93, 27, 81 & 31, all lying north of Frazier Rd. - (Re: Assessor's Record Map).

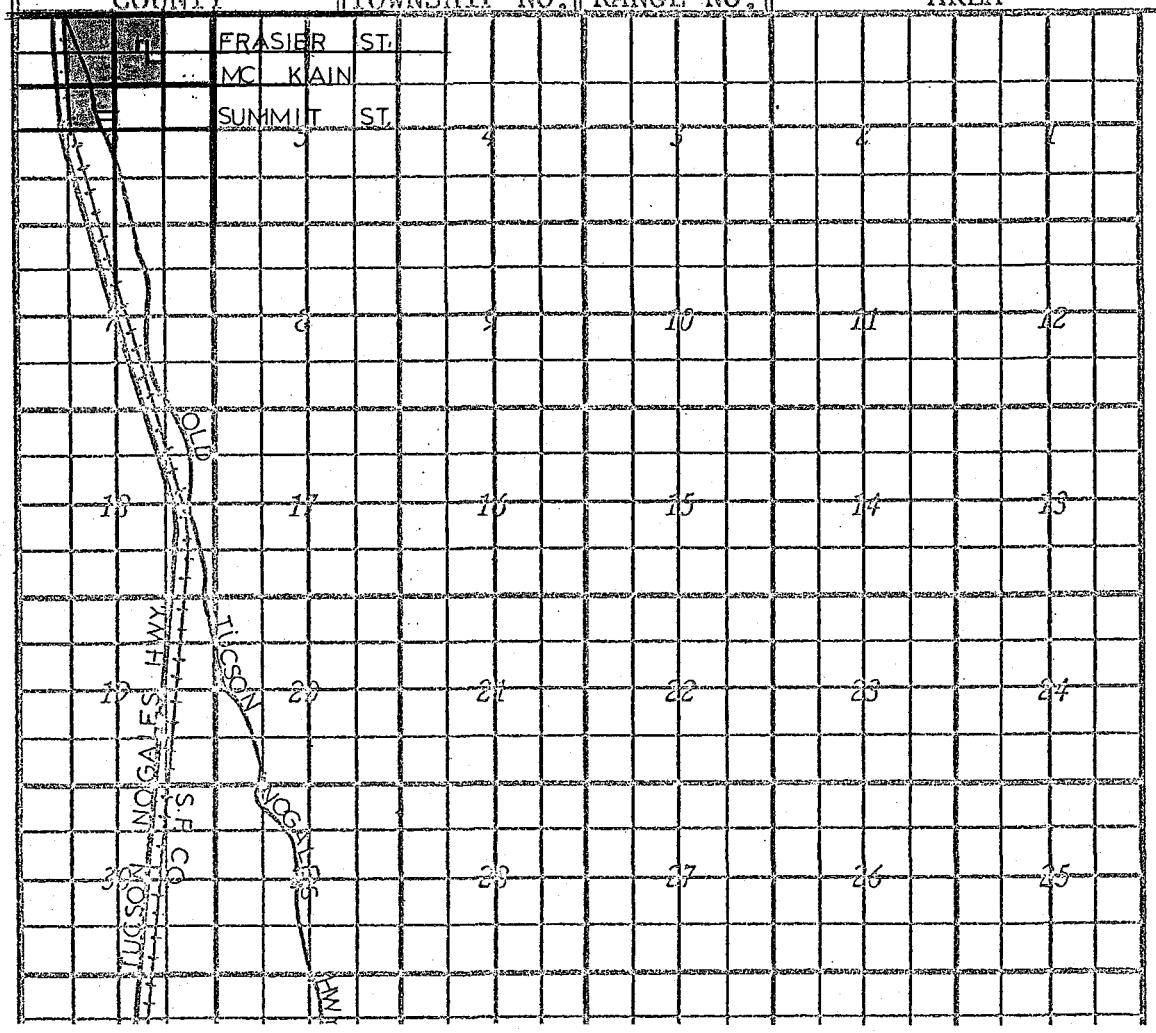
Sec. 6: Parcels #70, 73, 74, 75, 48, 50, 65, 66, 49, 60, 67, 76, 63, 25, 28, 29, 64, 30, 33 34 & 39, all between Frazier & McKain Road. (Re: Assessor's Record Map).

Sec. 6: Parcels #47, 35, 46, 78, 79, 80, 45, 71, 72, 77 & 69, all between McKain Road & Summitt Street. (Re: Assessor's Record Map).

H. H. Harris

PIMA	16S	14E	EXTENDED AREA	PLATTED APR 18 1962 BY H. HARRIS
COUNTY	TOWNSHIP NO.	RANGE NO.	AREA	

16S-14E



REVIEWED APR 5 1965 BY H. HARRIS

REVIEWED APR 2 1969 BY H. HARRIS

[OCT. 29, 1954]

Arizona Corporation Commission
DOCKETED

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF THOMAS J. MAGDALENSKI AND EMILY MAGDALENSKI, DBA E. AND T. WATER COMPANY, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION AND OPERATION OF A WATER SYSTEM IN SKYLINE RANCHES, A SUBDIVISION LOCATED IN THE AREA HEREINAFTER DESCRIBED.

DOCKET NO. U-1409 DECISION NO. 28483

OPINION AND ORDER

By the Commission:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting in Tucson, Arizona on August 16, 1954.

Thomas J. Magdalanski appeared in person and presented testimony on behalf of his application.

From the testimony presented and from the records and files in the matter, the Commission is of the opinion that applicant has complied with the statutes of Arizona and with the rules and regulations of the Commission for the issuance of a Certificate of Convenience and Necessity.

The application was unopposed and in the opinion of the Commission the application contemplates a service in the public interest.

It further appears that the application does not conflict with any other person or corporation furnishing a service of like character within the area sought to be certificated and that a need and demand has been established and exists for the proposed service supporting a finding of Convenience and Necessity therefor.

WHEREFORE IT IS ORDERED that the application be and it is hereby approved, and this Order shall constitute and be a Certificate of Convenience and Necessity as contemplated by the provisions of Section 69-235, A.C.A., 1939, authorizing applicant herein to construct, operate and maintain a public water system

OPINION AND ORDER

By the Commission:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting in Tucson, Arizona on August 16, 1954.

Thomas J. Magdalanski appeared in person and presented testimony on behalf of his application.

From the testimony presented and from the records and files in the matter, the Commission is of the opinion that applicant has complied with the statutes of Arizona and with the rules and regulations of the Commission for the issuance of a Certificate of Convenience and Necessity.

The application was unopposed and in the opinion of the Commission the application contemplates a service in the public interest.

It further appears that the application does not conflict with any other person or corporation furnishing a service of like character within the area sought to be certificated and that a need and demand has been established and exists for the proposed service supporting a finding of Convenience and Necessity therefor.

WHEREFORE IT IS ORDERED that the application be and it is hereby approved, and this Order shall constitute and be a Certificate of Convenience and Necessity as contemplated by the provisions of Section 69-235, A.C.A., 1939, authorizing applicant herein to construct, operate and maintain a public water system within the area described as that part of the Northeast Quarter of the Southwest Quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona,

DOCKET NO. U-1409 DECISION NO. 28482

lying East of the Tucson-Nogales Railroad right-of-way in Pima County, Arizona. Also all of that portion of the South East Quarter of the Northwest Quarter of Section 6, Township 16 South, Range 14 East, G. & S. R. B. & M., described as follows:- Beginning at the center quarter corner of said Section 6; thence North 1 degree 01' East along the Easterly Boundary of the Southeast Quarter of the Northwest Quarter of said Section 6, a distance of 307.64 feet to the true point of beginning; thence North 1 degree 01' East along said Easterly boundary a distance of 250 feet, to a point; thence North 89 degrees 59' West a distance of 343.04 feet, more or less, to a point in the Easterly right of way line of the old Tucson-Nogales highway; thence Southerly along the Easterly right of way line of the old Tucson-Nogales highway, a distance of 258.36 feet to a point; thence South 89 degrees 59' East a distance of 273.34 feet to the true point of beginning in the Easterly Boundary of Southeast Quarter of the Northwest Quarter of said Section 6, embracing 1.77 acres more or less. Beginning at the Center Quarter Corner of said Section 6; thence North 1 degree 01' East along the Easterly boundary of the Southeast Quarter of the Northwest Quarter of said Section 6, a distance of 30.01 feet to the true point of beginning; thence North 1 degree 01' East along the Easterly Boundary line of Southeast Quarter of the Northwest Quarter of said section 6, a distance of 277.63 feet to a point; thence North 89 degrees 59' West a distance of 273.34 feet, more or less, to a point in the Easterly right of way line ofthe old Tucson-Nogales highway; thence Southerly, along the Easterly right of way line of the said old Tucson-Nogales highway, a distance of 289.12 feet to a point; thence North 89 degrees 23' East, parallel to and 30' North of the South boundary of Southeast

Range 14 East, G. & S. R. B. & M., described as follows:- Beginning at the center quarter corner of said Section 6; thence North 1 degree 01' East along the Easterly Boundary of the Southeast Quarter of the Northwest Quarter of said Section 6. a distance of 307.64 feet to the true point of beginning; thence North 1 degree 01' East along said Easterly boundary a distance of 250 feet, to a point; thence North 89 degrees 59' West a distance of 343.04 feet, more or less, to a point in the Easterly right of way line of the old Tucson-Nogales highway; thence Southerly along the Easterly right of way line of the old Tucson-Nogales highway, a distance of 258.36 feet to a point; thence South 89 degrees 59' East a distance of 273.34 feet to the true point of beginning in the Easterly Boundary of Southeast Quarter of the Northwest Quarter of said Section 6, embracing 1.77 acres more or less. Beginning at the Center Quarter Corner of said Section 6; thence North 1 degree 01' East along the Easterly boundary of the Southeast Quarter of the Northwest Quarter of said Section 6, a distance of 30.01 feet to the true point of beginning; thence North 1 degree 01' East along the Easterly Boundary line of Southeast Quarter of the Northwest Quarter of said section 6, a distance of 277.63 feet to a point; thence North 89 degrees 59' West a distance of 273.34 feet, more or less, to a point in the Easterly right of way line ofthe old Tucson-Nogales highway; thence Southerly, along the Easterly right of way line of the said old Tucson-Nogales highway, a distance of 289.12 feet to a point; thence North 89 degrees 23' East, parallel to and 30' North of the South boundary of Southeast Quarter of Northwest Quarter of said section 6, a distance of 195.36 feet, more or less to the point of beginning, embracing 1.63 acres, more or less, including all additions thereto within Pima County. Arizona.

DOCKET NO. U-1409 DECISION NO. 28483

IT IS FURTHER ORDERED that the rates approved shall be:

For the first 3,000 gals. or less of water for each customer per month - - - - - - - - $4.00

For each 1,000 gals. or major fraction thereof, in excess of the minimum 3 000 gals. per month for each customer - - - - - - - - - - - - - - $1.00

Guarantee deposit from each residential consumer - - - - - - - - - - - - - - - - - - $10.00

Guarantee deposit from each commercial consumer - - - - - - - - - - - - - - - - - - - $20.00

All other charges shall be as set forth in General Order U-4, formerly known as General Order No. 234-U.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

IN WITNESS WHEREOF, I, MARY WATTS, Acting Assistant Secretary of the Arizona Corporation Commission have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 29th day of October, 1954.

Mary Watts

MARY WATTS
Acting Assistant Secretary

CHAIRMAN COMMISSIONER COMMISSIONER

CORPORATION COMMISSION
MAPPING DIVISION

NAME OF COMPANY: E AND T WATER Co.

DOCKET NUMBER: U-1409

DECISION NO. 28483 — OCT. 29, 1954

Sec. 6: NE 1/4 SW 1/4, lying east of the Tucson-Nogales R.R. Rwy.

Sec. 6: SE 1/4 NW 1/4, a portion described as beginning at the center 1/4 corner, thence N 1° 01' E 307.64, to the true P.O.B., thence N 1° 01 E 250', thence N 89° 59' W 343.04; thence southeasterly along the Old Tucson-Nogales Hwy. 258.36', thence S 89° 59' E 273.34', to the true point of beginning 1.77 acres more or less.

Sec. 6: SE 1/4 NW 1/4, a portion described as beginning at the center 1/4 corner, thence N 1° 01' E 30.01' to the T.P.O.B., thence N 1° 01' E 277.63, thence N 89° 59' W 273.34; thence southeasterly along the Old Tucson-Nogales Hwy. 289.12', thence N 89° 23' E 195.36', to the true point of beginning. 1.63 acres more or less. H. H. Harris

PIMA	16 S	14 E	ORIGINAL AREA	PLATTED APR 18 1962 BY H. HARRIS
COUNTY	TOWNSHIP NO.	RANGE NO.	AREA	

16S-14E

REVIEWED APR 5 1965 BY H. HARRIS

REVIEWED APR 2 1969 BY H. HARRIS

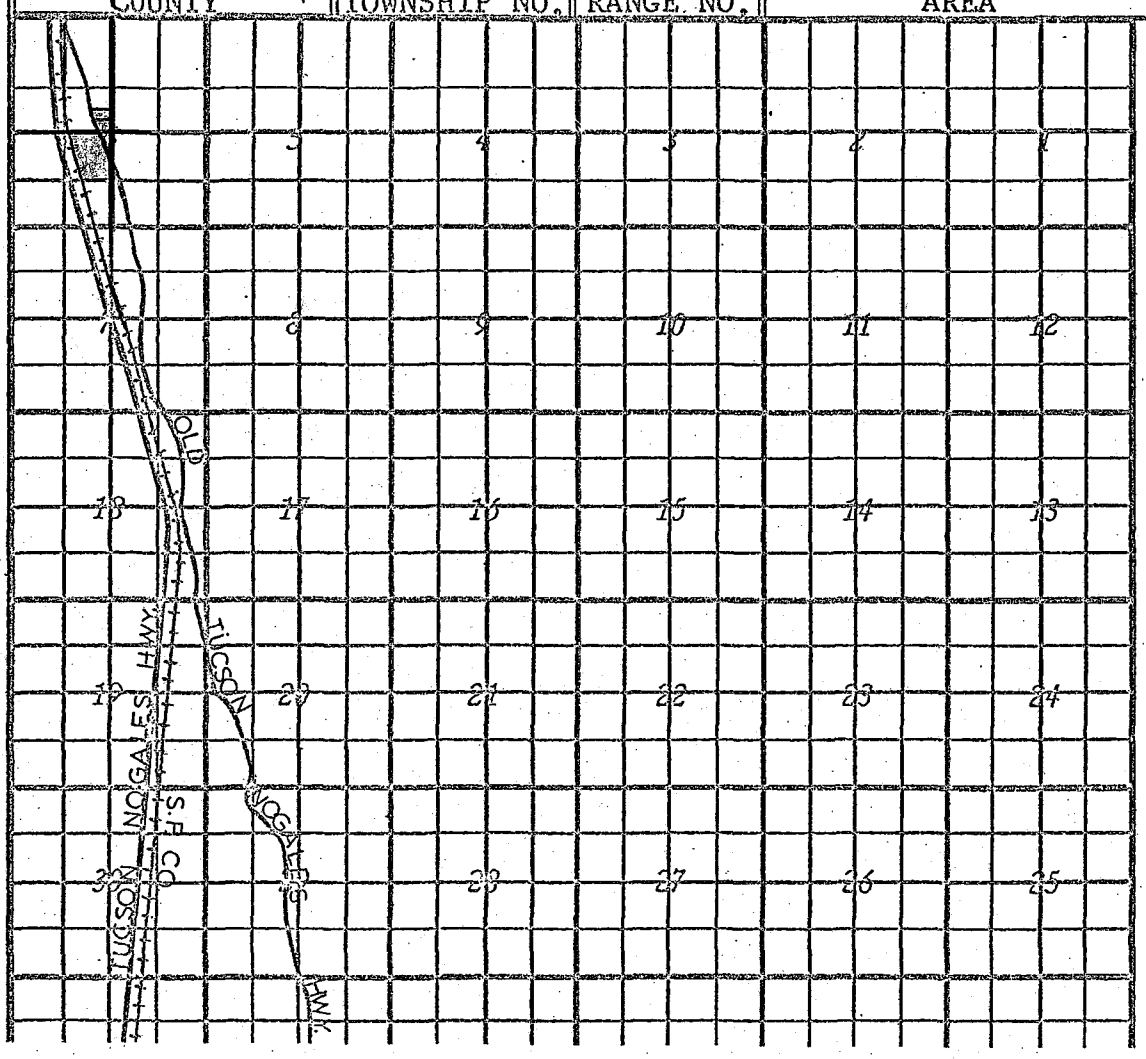


Exhibit "D"
Certificated Area (Legal Description)

Exhibit "D"
Certificated Area (Legal Description)

The legal descriptions are set forth in the Certificates attached as Exhibit "C" to Asset Purchase Agreement

Exhibit "E"

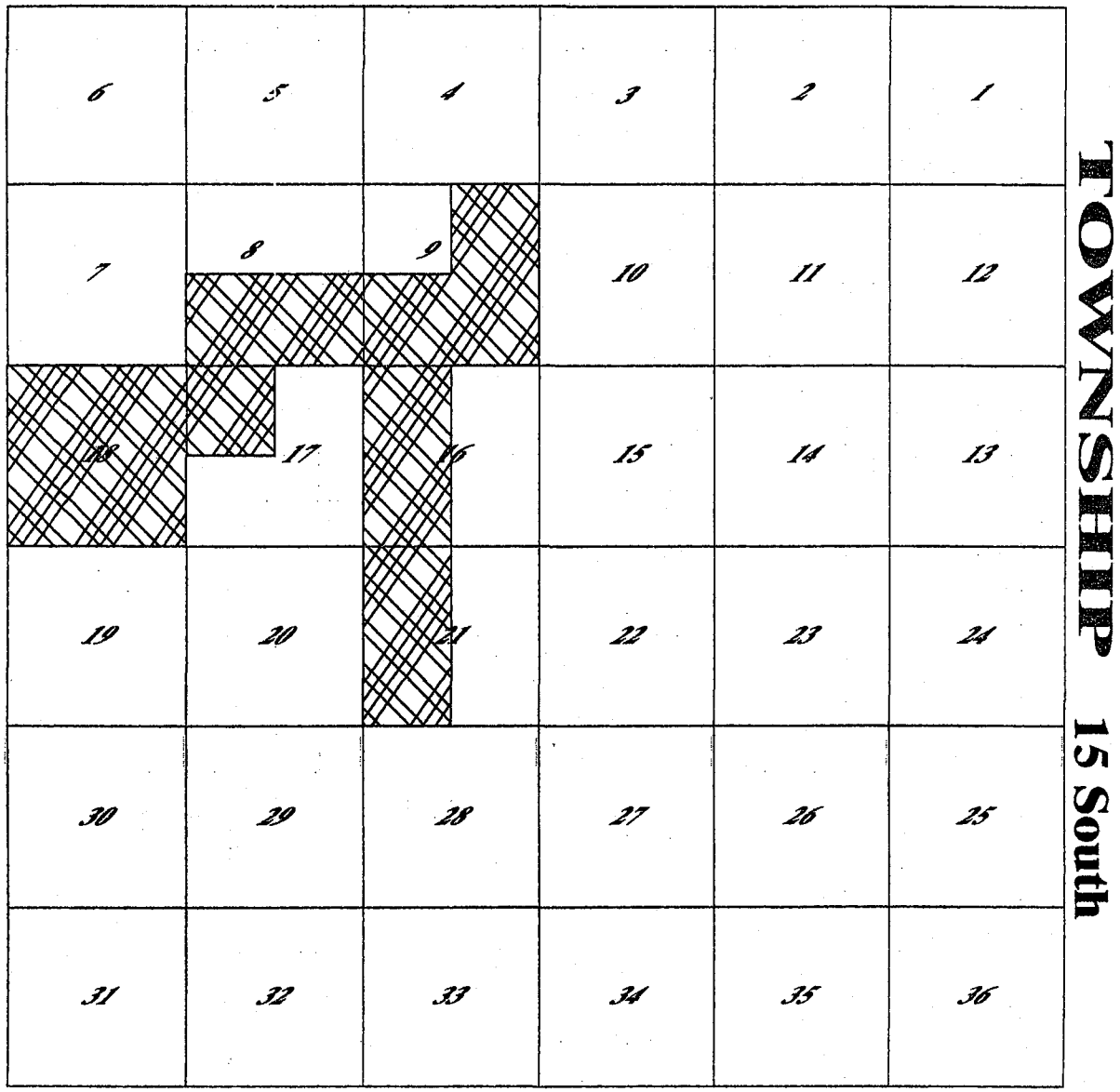
Maps of Certificated Area

Diablo Village Water Company

[redacted]ursu[redacted]o Af[redacted]9-12[redacted]his r[redacted] 'No[redacted]Com[redacted]al U[redacted]

COUNTY: *Pima*

RANGE 12 East



W-2309 (1)
Diablo Village Water Company

TR15S12E 21 DEC 2006

Exhibit "E"

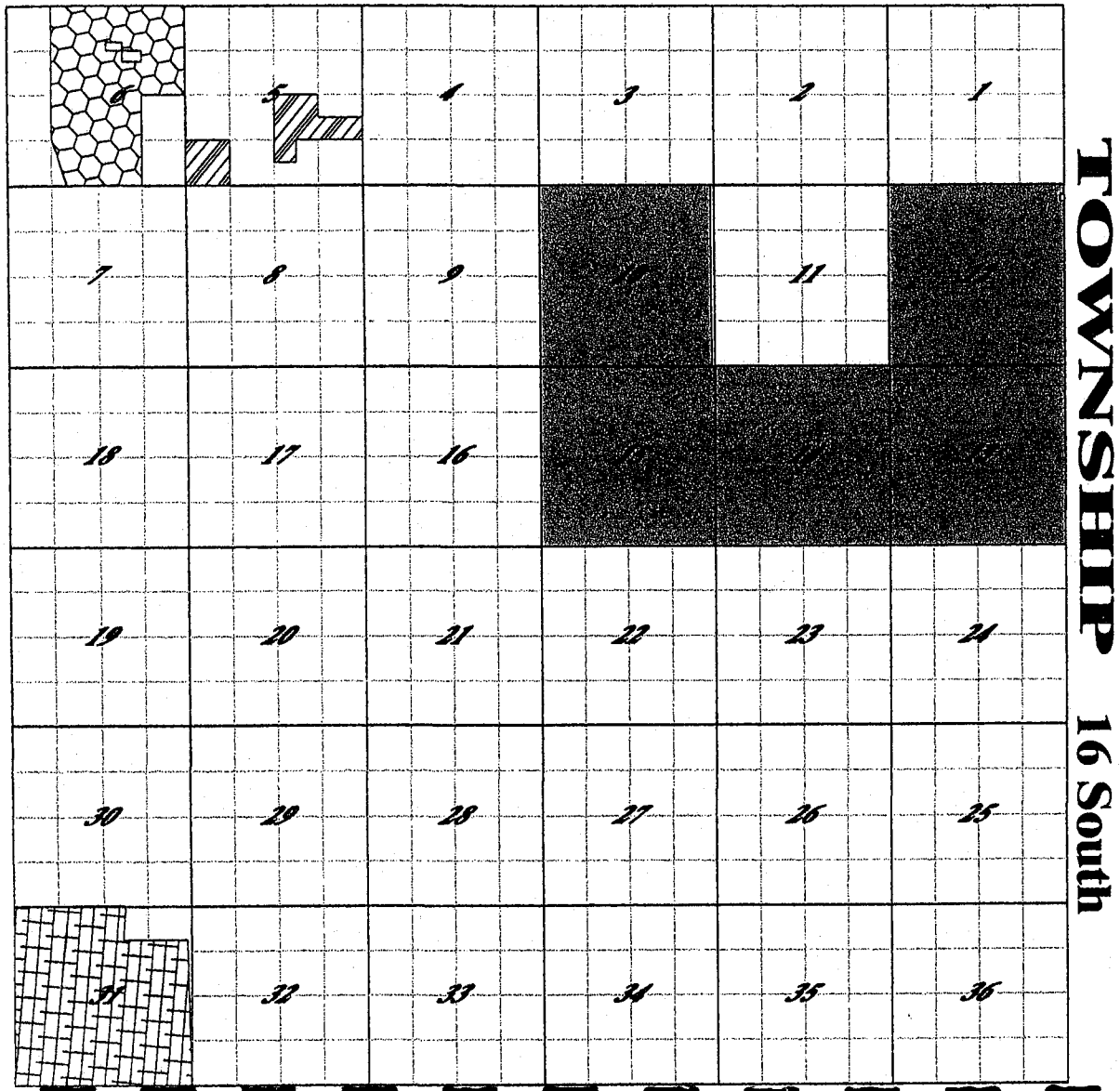
Maps of Certificated Area

Thim Utility Co.

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

COUNTY: *Pima*

RANGE 14 East



W-1654 (6)
Farmers Water Company

W-2542 (1)
La Casita Water Company, Inc.

W-3293 (4)
Thim Utility Company

(1)
Red Rock Utilities, L.L.C.
Docket No. WS-04245A-07-0363
Application for Extension

TR16S14E 30 NOV 2000

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

COUNTY: *Pima*

RANGE 12 East

TOWNSHIP 14 South

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

W-3293 (4)
Thim Utility Company

TR14S12E 19 JUN 1998

Exhibit "F"

Equipment

Diablo Village Water Company

GRAND CANYON PUMP & SUPPLY

FACSIMILE TRANSMITTAL SHEET

TO: Chuck Thim	FROM: Russ Hunter
COMPANY: Thim Utility Co.	DATE: 1/15/2009
FAX NUMBER: 1-520-290-8999	TOTAL NO. OF PAGES INCLUDING COVER: 7
PHONE NUMBER: 1-520-290-1255	SENDER'S PHONE NUMBER: 1.520.292.8011
RE: Pump curves for Diablo system	YOUR FAX NUMBER: 1.520.292.8012

☐ URGENT X FOR REVIEW ☐ PLEASE COMMENT X PLEASE REPLY ☐ PLEASE RECYCLE

Chuck,
I am sending you the information for the pump production for both systems. Please call me when you receive it.

I have sent this information two times to the address firecapt16@yahoo.com please correct what is wrong with the address

Thanks.....Russ

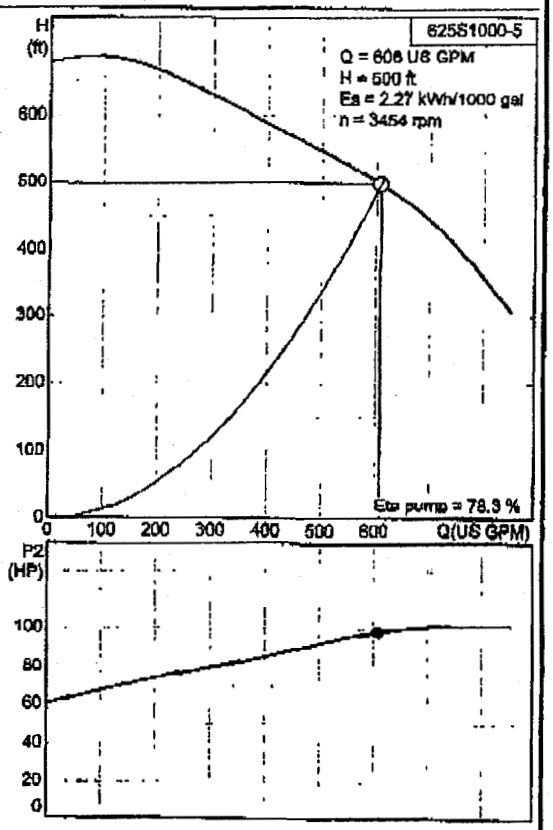
GRUNDFOS

Company name: Grand Canyon Pump
Created by: Russ Hunter
Phone: 1-520-292-8011
Fax: 1-520-292-8012
Date: 1/13/2009

Project: Thim Utility/Diablo 2 Well Pump
Reference Number:

Client:
Client Number:
Contact: Chuck Thim

Product name:	625S1000-5
Product No:	17BG1905
EAN number:	5700391964220
Technical:	
Speed for pump data:	3450 rpm
Rated flow:	625.2 US GPM
Flowrange:	85.9 .. 859 US GPM
Rated head:	489 ft
Curve tolerance:	ISO 9906 Annex A
Pump No:	17BG0005
Stages:	5
Model:	D
Valve:	pump with built-in non-return valve
Materials:	
Pump:	Stainless steel 1.4301 DIN W.-Nr. 304 AISI
Impeller:	Stainless steel 1.4301 DIN W.-Nr. 304 AISI
Motor:	Stainless steel 1.4301 DIN W.-Nr. 304 AISI
Installation:	
Pump outlet:	6" NPT
Motor diameter:	8 inch
Minimum borehole diameter:	10" in
Liquid:	
Max liquid t at 0.08 m/sec:	86 °F
Max liquid t at 0.15 m/sec:	86 °F
Electrical data:	
Motor type:	FRANKLIN
Applic. motor:	NEMA
Rated power - P2:	100 HP
KVA code:	L
Mains frequency:	60 Hz
Rated voltage:	3 x 460 V
Start. method:	direct-on-line
Starter:	4
Service factor:	1,15
Rated current:	145 A
I MAX:	144 A
Starting current:	1210 A
Cos phi - power factor:	0,87
Rated speed:	3525 rpm
Axial load max:	10000 lb
Motor efficiency at full load:	88,3 %
Enclosure class (IEC 34-5):	IP58
Insulation class (IEC 85):	F
Built-in temp. transmitter:	yes
Delay:	175 A
Standard:	400 A
Motor No:	82193225
Controls:	
Heater:	K92
Others:	



Printed from Grundfos CAPS

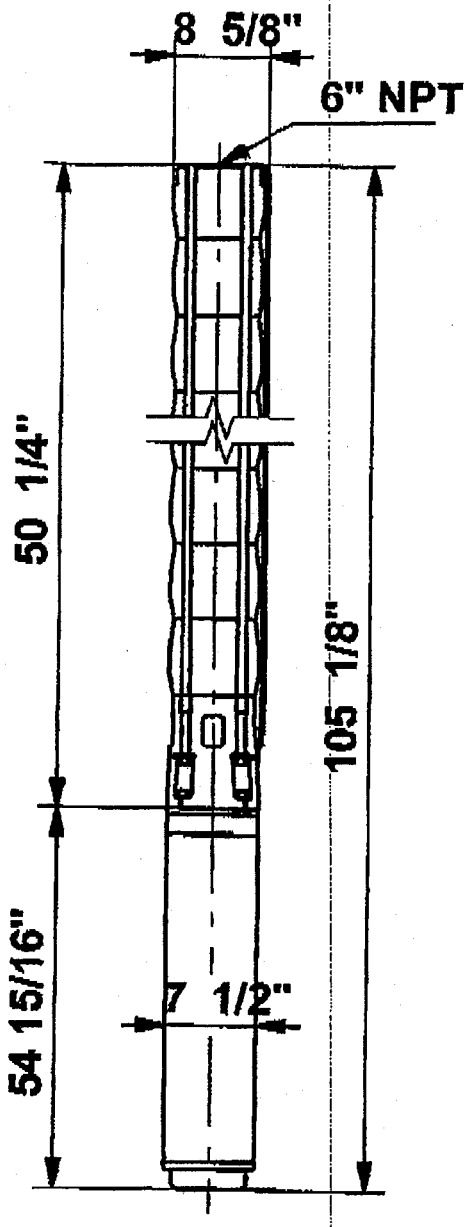
GRUNDFOS

Company name: Grand Canyon Pump
Created by: Russ Hunter
Phone: 1-520-292-8011
Fax: 1-520-292-8012
Date: 1/13/2009

Project: Thim Utility/Diablo 2 Well Pump
Reference Number:

Client:
Client Number:
Contact: Chuck Thim

17BG1905 625S1000-5



Note! All units are in [mm] unless others are stated.

Printed from Grundfos CAPS

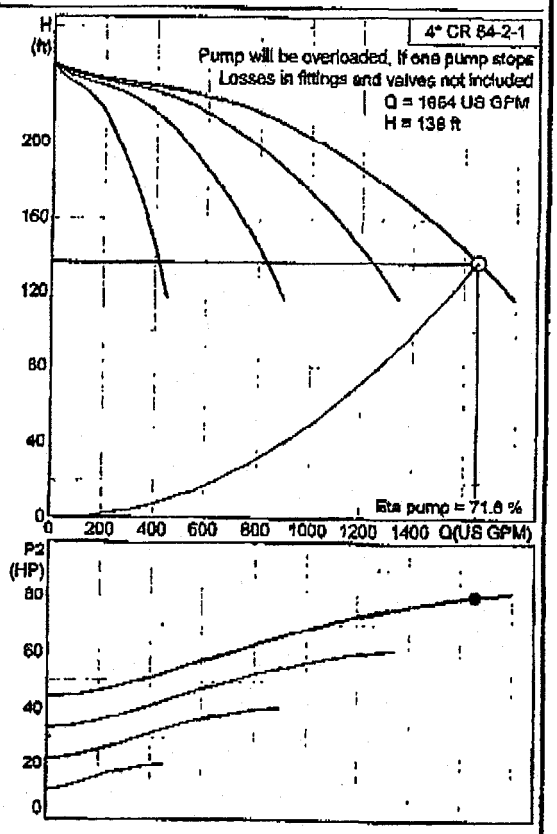
GRUNDFOS

Company name: Grand Canyon Pump
Created by: Russ Hunter
Phone: 1-520-292-8011
Fax: 1-520-292-8012
Date: 1/13/2009

Project: Thim Utility/Diablo System 2
Reference Number:

Client:
Client Number:
Contact: Chuck Thim

Product name:	CR 64-2-1 A-G-A-E KUBE
Product No:	96418848
EAN number:	5700390736927
Technical:	
Speed for pump data:	3497 rpm
Rated flow:	339 US GPM
Rated head:	155 ft
Impellers:	2
Impeller reduc.:	1
Shaft seal:	KUBE
Approvals on motor nameplate:	UL Recognized Component, CSA
Curve tolerance:	ISO 9906 Annex A
Stages:	2
Pump version:	A
Model:	A
Materials:	
Pump housing:	Cast iron EN-JS1030 DIN W.-Nr. 60-55-06 ASTM
Impeller:	Stainless steel 1.4301 DIN W.-Nr. 304 AISI
Material code:	A
Code for rubber:	E
Installation:	
Maximum ambient temperature:	104 °F
Max pressure at stated temp:	232 / 250 psi / °F
Flange standard:	ANSI
Connect code:	G
Pipe connection:	4"
Pressure stage:	125 Lb.
Flange size for motor:	254TC
Liquid:	
Liquid temperature range:	32 .. 248 °F
Electrical data:	
Motor type:	Baldor, ODP
Rated power - P2:	20 HP
KVA code:	F
Mains frequency:	60 Hz
Rated voltage:	3 x 230 / 460 V
Service factor:	1,15
Rated current:	47 / 23,5 A
Starting current:	278 / 139 A
Load current:	54 / 27 A
Cos phi - power factor:	0,86
Rated speed:	3525 rpm
Motor efficiency at full load:	91,7 %
Insulation class (IEC 85):	F
Motor protec:	None
Motor No:	84Z03374
Others:	
Gross weight:	391 lb
Shipping volume:	12.7 ft³
Sales region:	namreg



Printed from Grundfos CAPS

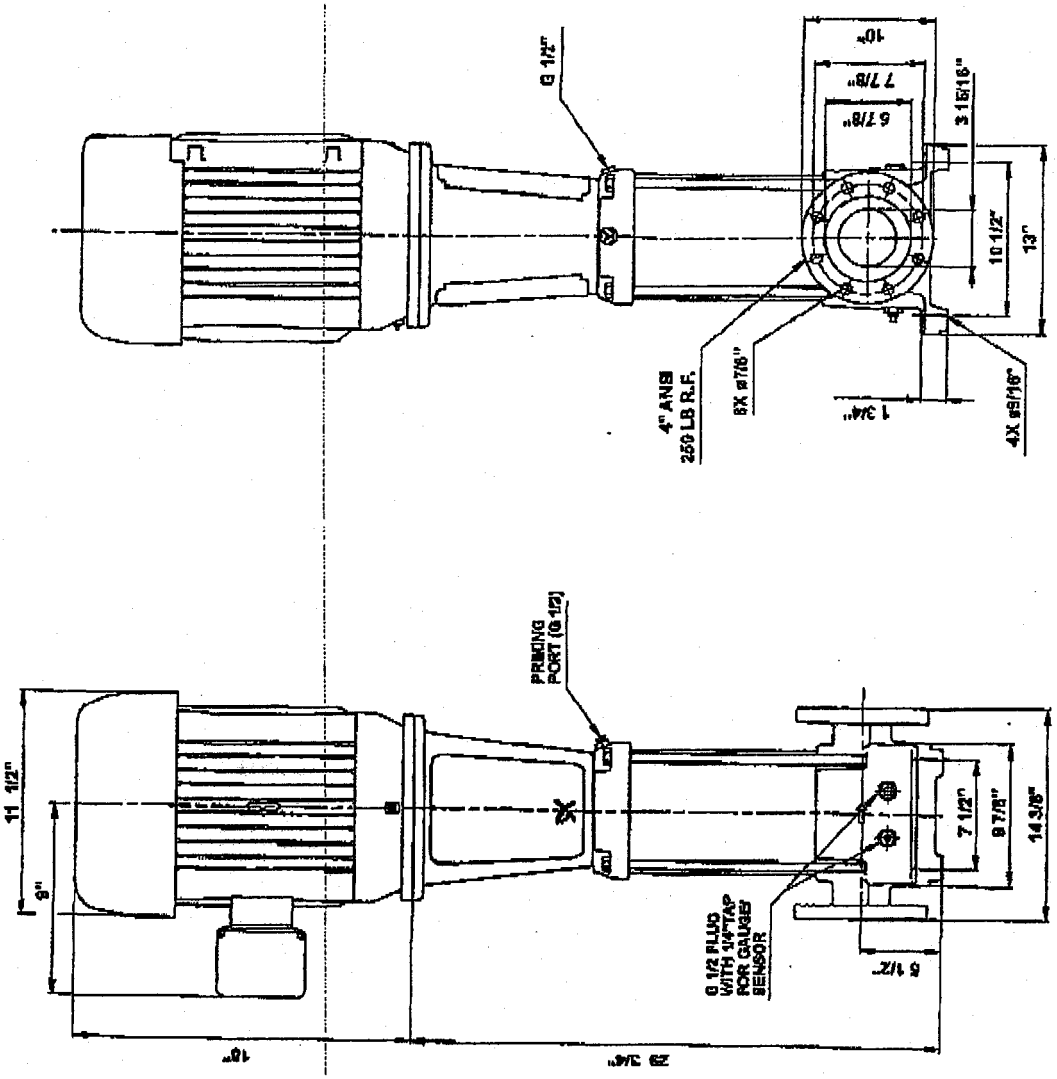
GRUNDFOS

Company name: Grand Canyon Pump
Created by: Russ Hunter
Phone: 1-520-292-8011
Fax: 1-520-292-8012
Date: 1/13/2009

Project: Thim Utility/Diablo System 2
Reference Number:

Client:
Client Number:
Contact: Chuck Thim

96418849 CR 64-2-1



Note! All units are in [mm] unless others are stated.

Printed from Grundfos CAPS

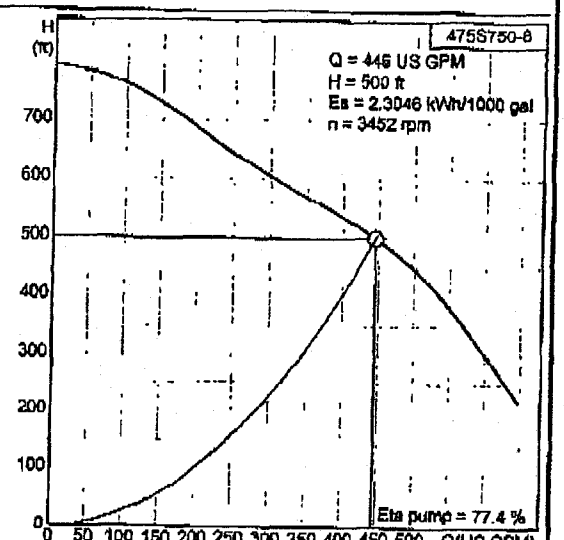
GRUNDFOS

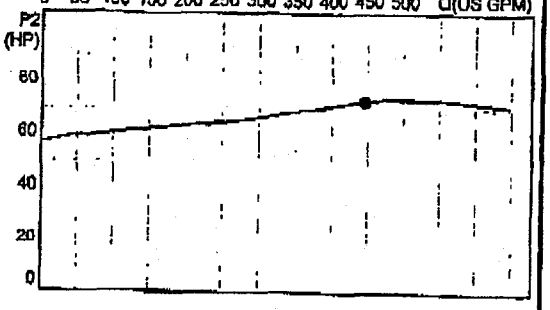
Company name: Grand Canyon Pump
Created by: Russ Hunter
Phone: 1-520-292-8011
Fax: 1-520-292-8012
Date: 1/13/2009

Project: Thim Utility/Diablo 1 well pump
Reference Number:

Client:
Client Number:
Contact: Chuck Thim

Product name:	475S750-8
Product No:	19241908
EAN number:	5700390084783
Technical:	
Speed for pump data:	3450 rpm
Rated flow:	475.5 US GPM
Flowrange:	65.2 .. 653 US GPM
Rated head:	472 ft
Curve tolerance:	ISO 9906 Annex A
Pump No:	19240006
Stages:	8
Model:	B
Valve:	pump with built-in non-return valve
Materials:	
Pump:	Stainless steel 1.4301 DIN W.-Nr. 304 AISI
Impeller:	Stainless steel 1.4301 DIN W.-Nr. 304 AISI
Motor:	Stainless steel 1.4301 DIN W.-Nr. 304 AISI
Installation:	
Pump outlet:	5" NPT
Motor diameter:	8 inch
Minimum borehole diameter:	6" in
Liquid:	
Max liquid t at 0.08 m/sec:	86 °F
Max liquid t at 0.15 m/sec:	86 °F
Electrical data:	
Motor type:	FRANKLIN
Applic. motor:	NEMA
Rated power - P2:	75 HP
KVA code:	K
Mains frequency:	60 Hz
Rated voltage:	3 x 460 V
Start. method:	direct-on-line
Starter:	3 1/2
Service factor:	1,15
Rated current:	107 A
I MAX:	107 A
Starting current:	833 A
Cos phi - power factor:	0,87
Rated speed:	3525 rpm
Axial load max:	10000 lb
Motor efficiency at full load:	88,1 %
Enclosure class (IEC 34-5):	IP68
Insulation class (IEC 85):	F
Built-in temp. transmitter:	yes
Delay:	125 A
Standard:	300 A
Motor No:	82193223
Controls:	
Heater:	X89
Others:	





Printed from Grundfos CAPS

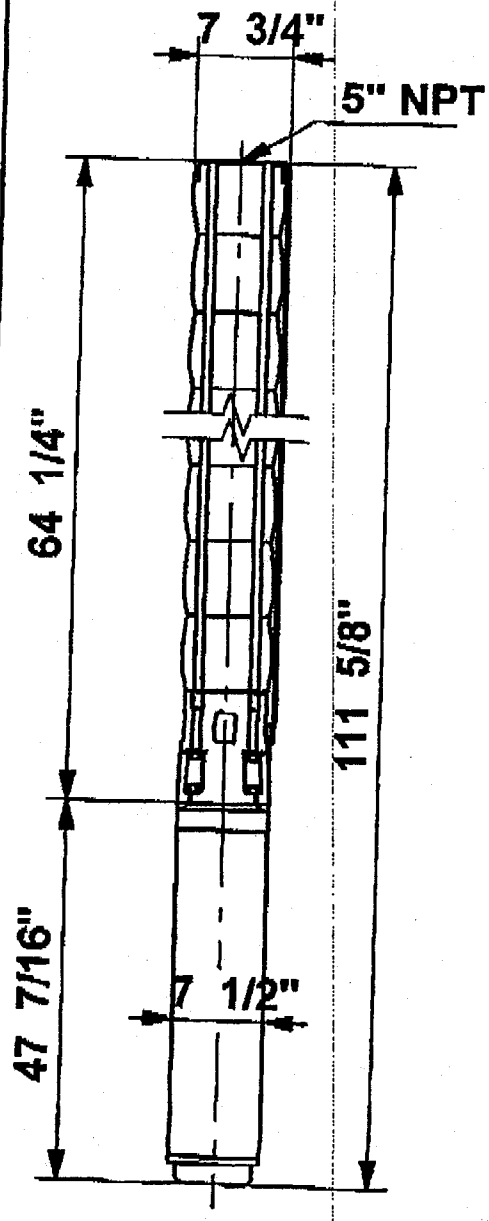
GRUNDFOS

Company name: Grand Canyon Pump
Created by: Russ Hunter
Phone: 1-520-292-8011
Fax: 1-520-292-8012
Date: 1/13/2009

Project: Thim Utility/Diablo 1 well pump
Reference Number:

Client:
Client Number:
Contact: Chuck Thim

19241908 475S750-8



Note! All units are in [mm] unless others are stated.

Printed from Grundfos CAPS

TO: Michael McNulty
VIA FAX: 879-4732
FROM: Robin Thim
731-1258

Michael:

Please forward the faxed information to Mark and Larry —

This should complete the pumps in storage question.

Let me know if you require further info.

Have a Good "Coronation"

Exhibit "F"
Equipment

Thim Utility Co.

NONE

Exhibit "G"

Real Property (Legal Description)

Diablo Village Water Company

Exhibit "G"
Real Property (Legal Description)

Diablo Village Water Company
Parcel 9

That portion of Section 16, Township 15 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

BEGINNING at the Center quarter corner of said Section 16, said point being on the East line of the West half right-of-way of Victor Drive as shown on the subdivision plat of DIABLO VILLAGE ESTATES, Book 28 of Maps and Plats at page 33 thereof, records of Pima County, Arizona;

THENCE from said POINT OF BEGINNING, Northeasterly, North 89 degrees 49 minutes 12 seconds East, a distance of 45.00 feet (record) along the South line of the Northeast quarter of said Section 16, to the Northwest corner of Lot 79 as shown on the subdivision plat for STAR VALLEY VILLAGE, Book 47 of Maps and Plats at page 26-5 thereof, records of Pima County, Arizona, being contiguous with the East right-of-way line of Victor Drive as shown on said plat of STAR VALLEY VILLAGE, said point being the TRUE POINT OF BEGINNING of the Well Site parcel herein described;

THENCE, from said TRUE POINT OF BEGINNING, leaving said right-of-way line, continuing Northeasterly, North 89 degrees 49 minutes 12 seconds East (record), a distance of 200.00 feet along the North line of said Lot 79 (South line of said Northeast quarter) to a point thereon;

THENCE, leaving said North line of Lot 79, Northwesterly along a line being parallel with the West line of said Northeast quarter of Section 16, being contiguous with the center line of said Victor Drive, North 00 degrees 02 minutes 09 seconds West (record), a distance of 100.00 feet to a point;

THENCE, leaving said parallel line, Southwesterly along a line being parallel the North line of said Lot 79, South 89 degrees 49 minutes 12 seconds West (record), a distance of 200.00 feet to a point on the Northerly extension of the East right-of-way line of Victor Drive as shown on said subdivision plat of STAR VALLEY VILLAGE;

THENCE, leaving said parallel line, Southeasterly along said Northerly extension, being parallel with the West line of the Northeast quarter of said Section 16, South 00 degrees 02 minutes 09 seconds East, a distance of 100.00 feet to the TRUE POINT OF BEGINNING. (JV Arb 32)

Parcel 10

A Diablo Village Water Company Well Site bounded by the following described line:

COMMENCING at the Northwest section corner located on the centerline of Valencia Road and Valhalla Road shown on DIABLO VILLAGE ESTATES BLOCKS 1, 2 and 3, a subdivision of Pima County, Arizona according to the map or plat thereof of record in the office of the County Recorder of Pima County, Arizona, in Book 29 of Maps and Plats at page 75 thereof located in Section 16, Township 15 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

THENCE North 89 degrees 50 minutes 15 seconds East a distance of 824.51 feet;

THENCE South 00 degrees 09 minutes 45 seconds East a distance of 75.00 feet to the South right-of-way of Valencia Road and the Northeast corner of Block 1;

THENCE South 00 degrees 02 minutes 09 seconds East along the East line of Block 1 a distance of 579.11 feet to a point of an irregular shape utility boundary;

THENCE North 89 degrees 50 minutes 15 seconds East along said boundary a distance of 45.69 feet to a non-tangent curve from which the radius bears North 40 degrees 57 minutes 51 seconds East, also a common point with Block 3 and the POINT OF BEGINNING;

THENCE South 00 degrees 02 minutes 42 seconds East a distance of 100 feet to a point;

THENCE South 89 degrees 50 minutes 15 seconds West a distance of 200 feet to a point;

THENCE North 00 degrees 02 minutes 42 seconds West a distance of 100 feet to a point;

THENCE North 89 degrees 50 minutes 15 seconds East a distance of 200 feet to the POINT OF BEGINNING.
(JV Arb Block 3=31, Block 1= portion arb 11)

Parcel 10A

A Diablo Village Water Company parcel bounded by the following described line:

COMMENCING at the Northwest section corner located on the centerline of Valencia Road and Vahalla Road shown on DIABLO VILLAGE ESTATES BLOCKS 1, 2 and 3, a subdivision of Pima County, Arizona according to the map or plat thereof of record in the office of the County Recorder of Pima County, Arizona, in Book 29 of Maps and Plats at page 75 thereof located in Section 16, Township 15 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

THENCE North 89 degrees 50 minutes 15 seconds East a distance of 824.51 feet;

THENCE South 00 degrees 09 minutes 45 seconds East a distance of 75.00 feet to the South right-of-way of Valencia Road and the Northeast corner of Block 1;

THENCE South 00 degrees 02 minutes 09 seconds East along the East line of Block 1 a distance of 468.70 feet to the POINT OF BEGINNING;

THENCE continuing South 00 degrees 02 minutes 09 seconds East, a distance of 110.41 feet;

THENCE North 89 degrees 50 minutes 15 seconds East, a distance of 45.69 feet to a non-tangent curve from which the radius bears North 40 degrees 57 minutes 51 seconds East, also a common point with Block 3;

THENCE along an arc, concave to the Northeast, having a radius of 156.00 feet through a central angle of 45 degrees 00 minutes 00 seconds an arc length of 122.52 feet to the POINT OF BEGINNING.
(JV Arb Block 1= portion arb 11)

Parcel 11

That parcel of land dedicated and shown as Well Site on SONORAN RANCH ESTATES II, a subdivision of Pima County, Arizona according to the map or plat thereof of record in the office of the County Recorder of Pima County, Arizona, in Book 60 of Maps and Plats at page 47 thereof.

TOGETHER WITH an easement for private water line as set forth in Docket 12597 at page 492.

Parcel 18

An Easement interest in and to:

All that portion of the Northeast quarter of the Northwest quarter of Section 30, Township 14 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona and being more particularly described as follows:

BEGINNING at a point on the West line of the Northeast quarter of the Northwest quarter of said Section 30, and from which point the Northwest corner thereof bears North 00 degrees 19 minutes 00 seconds West, 721.93 feet;

THENCE from said POINT OF BEGINNING, North 74 degrees 38 minutes 45 seconds East, a distance of 155.32 feet to the TRUE POINT OF BEGINNING;

THENEC North 00 degrees 19 minutes 00 seconds West and parallel with said West line a distance of 127.85;

THENCE North 80 degrees 32 minutes 17 seconds East, a distance of 10.13 feet;

THENCE South 00 degrees 19 minutes 00 seconds East and parallel with said West line a distance of 95.71 feet;

THENCE North 74 degrees 38 minutes 45 seconds East a distance of 46.59 feet;

THENCE South 15 degrees 21 minutes 15 seconds East a distance of 30.00 feet;

THENCE South 74 degrees 38 minutes 45 seconds West a distance of 65.00 feet to the TRUE POINT OF BEGINNING.

(Portion JV Arb 148)

Exhibit "G"

Real Property (Legal Description)

Thim Utility Co.

Thim Utility Co.

Parcel 13

That portion of the Southeast quarter of the Northwest quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

BEGINNING at the Southeast corner of the Northwest quarter of said Section 6;

THENCE from said POINT OF BEGINNING, Westerly along the South line of the Northwest quarter of said Section 6, South 89 degrees 23 minutes 00 seconds West, a distance of 187.04 feet to a point on the East right-of-way line of Old Nogales Highway;

THENCE, leaving said South line, Northwesterly along the East right-of-way line of said Old Nogales Highway, North 14 degrees 37 minutes 55 seconds West, a distance of 30.92 feet to a point thereon;

THENCE, Northwesterly along said right-of-way line, North 14 degrees 37 minutes 55 seconds West, a distance of 454.92 feet to the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE, from said TRUE POINT OF BEGINNING, Northwesterly along the said right-of-way line, North 14 degrees 37 minutes 55 seconds West, a distance of 83.59 feet to a point thereon;

THENCE, leaving said East right-of-way line, following the North line of an existing chain link fence surrounding a well site and the Westerly extension thereof, South 89 degrees 16 minutes 55 seconds East, a distance of 77.28 feet to the Northeast corner thereof;

THENCE, leaving said Northeast corner, South 00 degrees 43 minutes 05 seconds West, a distance of 65.92 feet to the Southeast corner of said existing chain link fence;

THENEC, leaving said Southeast corner, South 05 degrees 25 minutes 03 seconds East, a distance of 22.40 feet to the Northeast corner of an easement for ingress, egress and public utilities;

THENCE Northwesterly along the North line of said easement, North 81 degrees 46 minutes 41 seconds West, a distance of 58.045 feet to the TRUE POINT OF BEGINNING.
(Portion JV Arb 545)

Parcel 13 A

That portion of the Southeast quarter of the Northwest quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

BEGINNING at the Southeast corner of the Northwest quarter of said Section 6;

THENCE from said POINT OF BEGINNING, Westerly along the South line of the Northwest quarter of said Section 6, South 89 degrees 23 minutes 00 seconds West, a distance of 187.04 feet to a point on the East right-of-way line of Old Nogales Highway;

THENCE, leaving said South line, Northwesterly along the East right-of-way line of Old Nogales Highway, North 14 degrees 37 minutes 55 seconds West, a distance of 30.92 feet to a point thereon, said point being the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE, from said TRUE POINT OF BEGINNING, Northwesterly along said right-of-way line, North 14 degrees 37 minutes 55 seconds West, a distance of 454.92 feet to a point thereon, said point being the Northwest corner of an easement for ingress, egress and public utilities;

THENCE, leaving said East right-of-way line, Southeasterly along the North line of said easement, South 81 degrees 46 minutes 41 seconds East, a distance of 58.045 feet to the Northeast corner thereof;

THENCE, leaving said Southeast corner, South 05 degrees 25 minutes 03 seconds East, a distance of 245.22 feet;

THENCE, Easterly along the Westerly extension of the North line of a well site, following an existing chain link fence, North 82 degrees 28 minutes 47 seconds East, a distance of 84.65 feet to the Northeast corner thereof;

THENCE Southerly along the East line of said well site, following an existing chain link fence, South 13 degrees 29 minutes 00 seconds East, a distance of 31.68 feet to the Southeast corner thereof;

THENCE, Westerly along the South line of said well site, following an existing chain link fence, South 82 degrees 28 minutes 47 seconds West, a distance of 48.11 feet to the Southwest corner thereof;

THENCE, leaving said Southwest corner, South 10 degrees 03 minutes 02 seconds East, a distance of 142.36 feet to the Northeast corner of an existing chain link fence surrounding well site;

THENCE, Southerly along the East line of said well site, following an existing chain link fence, South 07 degrees 14 minutes 43 seconds East, a distance of 21.32 feet to a point on the Easterly extension of the North right-of-way line of Summit Street;

THENCE, Westerly along the Easterly extension being parallel with and 30.00 feet North of the South line of the Northwest quarter of said Section 6, South 89 degrees 23 minutes 00 seconds West, a distance of 36.83 feet to the TRUE POINT OF BEGINNING.

EXCEPT therefrom that portion conveyed in Warranty Deed recorded in Docket 10845 at page 526, described as follows:

That portion of the Southeast quarter of the Northwest quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

COMMENCING at the Southeast corner of the Northwest quarter of said Section 6;

THENCE South 89 degrees 23 minutes 00 seconds West along the South line of the Northwest quarter of said Section 6, a distance of 187.04 feet to a point on the East right-of-way line of Old Nogales Highway;

THENCE, leaving said South line, North 14 degrees 37 minutes 55 seconds West, a distance of 30.92 feet to a point on the Northerly line of Summit Street and the Easterly line of Old Nogales Highway;

THENCE North 89 degrees 23 minutes 00 seconds East along the North line of the Easterly extension of Summit Street, a distance of 36.83 feet;

THENCE North 07 degrees 14 minutes 43 seconds West, a distance of 21.32 feet;

THENCE North 08 degrees 52 minutes 08 seconds East, a distance of 148.24 feet to the TRUE POINT OF BEGINNING;

THENCE South 82 degrees 28 minutes 47 seconds West, a distance of 48.11 feet

THENCE North 06 degrees 01 minutes 48 seconds West, a distance of 31.53 feet;

THENCE North 82 degrees 28 minutes 47 seconds East, a distance of 44.00 feet;

THENCE South 13 degrees 29 minutes 00 seconds East, a distance of 31.68 feet to the TRUE POINT OF BEGINNING.
(Portion JV Arb 545)

Parcel 13B

Easement as set forth in Docket 10845 at page 528.

Parcel 19

An Easement interest in and to:

A portion of the West half of the Southeast quarter of Section 6, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, more particularly described as follows:

BEGINNING at the Southeast corner of the West half of the Southeast quarter of said Section 6;

THENCE Northerly along the East line of said West half, North 00 degrees 08 minutes 35 seconds East, a distance of 335.64 feet

THENCE continue North 00 degrees 08 minutes 35 seconds East along said East line, a distance of 977.41 feet;

THENCE South 88 degrees 33 minutes 03 seconds West, a distance of 156.03 feet;

THENCE North 00 degrees 08 minutes 35 seconds East, a distance of 279.28 feet;

THENCE South 88 degrees 34 minutes 25 seconds West, a distance of 156.03 feet;

THENCE South 00 degrees 08 minutes 35 seconds West, a distance of 20.00 feet to the POINT OF BEGINNING;

THENCE continue South 00 degrees 08 minutes 25 seconds West **(Record), South 00 degrees 08 minutes 35 seconds West (Measured),** a distance of 50.00 feet;

THENCE North 88 degrees 34 minutes 25 seconds East, a distance of 50.00 feet;

THNECE North 00 degrees 08 minutes 35 seconds East, a distance of 50.00 feet;

THENCE South 88 degrees 34 minutes 25 seconds West, a distance of 50.00 feet to the POINT OF BEGINNING.

(Portion JV Arb 831)

Exhibit "H"

Form of Bill of Sale

Exhibit "H"
Bill of Sale

For Ten Dollars and other good and valuable consideration paid ___**[insert applicable Seller]**_____, a(n) _____ ("**Seller**"), the receipt and sufficiency of which are acknowledged, Seller sells, transfers, conveys and assigns to Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona ("**Purchaser**"), all of Seller's right, title, and interest in and to that certain personal property listed on **Exhibit "A"** attached hereto and incorporated herein by this reference, including any and all warranties, if any, in connection with the same and the right to sue on any claim for relief under such warranties (the "**Personal Property**").

The Personal Property is sold in a used, and "as is, where is," condition, with all faults. Seller makes no warranties, express or implied, of any kind to Purchaser regarding the Personal Property, except as specifically set forth in this Bill of Sale.

Seller warrants to Purchaser that the Personal Property is free and clear of all liens, claims, and encumbrances in favor of any third party. Seller shall defend the title of the Personal Property against all acts of Seller and not otherwise.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale to be effective _____, 2009.

___**[insert applicable Seller]**_____,
a(n)_____

By:_____
Name:_____
Title:_____

EXHIBIT "A" TO BILL OF SALE

All personal property owned by Seller of any type or kind located on, or used in connection with the operation or maintenance of the Real Property, including, without limitation, the following:

[Insert list of personal property
comprising the Equipment, Inventory and Records]

EXHIBIT "B" TO BILL OF SALE

[INSERT LEGAL DESCRIPTION OF REAL PROPERTY]

Exhibit "I"

Form of Assignment and Assumption of Contract Rights and Intangibles

Exhibit "I"

Assignment and Assumption of Contract Rights and Intangibles

THIS ASSIGNMENT AND ASSUMPTION OF CONTRACT RIGHTS AND INTANGIBLES (the "**Assignment**") is made to be effective as of _____, 2009 **[fill in with Closing Date]** (the "**Effective Date**"), between **[insert applicable Assignor]**_____, a(n) _____ ("**Assignor**"), and Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona ("**Assignee**").

RECITALS:

A. Under the terms of the Asset Purchase Agreement between Assignor, as Seller, and Assignee, as Purchaser, dated _____, 2009 (the "**Agreement**"), Assignor is assigning to Assignee and Assignee is acquiring all of Assignor's interest in, to and under the Contract Rights (as defined in Section 1 of the Agreement) and any guaranties relating to the same, all as more particularly described on **Exhibit "A"** attached hereto and incorporated herein by this reference (collectively, the "**Contract Rights**").

B. Assignor is also assigning to Assignee and Assignee is acquiring all of Assignor's legally assignable interest and obligations in, to and under the Licenses, Certificates, Warranties and Guaranties, Aid in Construction Agreements, (collectively, the "**Additional Contract Rights**") and the Goodwill and Records, which are all more fully described on **Exhibit "B"** attached hereto and incorporated herein by this reference and which pertain to or arise out of the ownership, operation or maintenance of the real property legally described on **Exhibit "C"** attached hereto and incorporated herein by this reference (the "**Property**").

AGREEMENTS:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as set forth below.

1. Assignment of Contract Rights. Assignor assigns, conveys and transfers to Assignee all of Assignor's right, title and interest in, to and under the Contract Rights and all claims and causes of action now existing under the same.

2. Assumption of Contract Rights. Assignee assumes and agrees to perform, fulfill and comply with all covenants and obligations to be performed, fulfilled or complied with by the holder of the interest of the person to whom service is due under the Contract Rights arising from and after the Effective Date.

3. Assignee's Indemnification of Assignor Under The Contract Rights. Assignee shall and does indemnify Assignor against, and agrees to hold Assignor harmless from, all liabilities,

obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys' fees), incurred in connection with the Contract Rights, based upon or arising out of any breach or alleged breach of the Contract Rights by Assignee occurring or alleged to have occurred on or after the Effective Date.

4. Assignor's Indemnification of Assignee Under The Contract Rights. Assignor shall and does indemnify Assignee against, and agrees to hold Assignee harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys' fees), incurred in connection with the Contract Rights, based upon or arising out of any breach or alleged breach of the Contract Rights by Assignor occurring or alleged to have occurred before the Effective Date.

5. Assignment of Additional Contract Rights, Goodwill, and Records. Assignor assigns, conveys and transfers to Assignee, all of Assignor's right, title and interest in, to and under the Additional Contract Rights, Goodwill, and Records.

6. Assumption of Additional Contract Rights. Assignee assumes and agrees to pay all sums, and perform, fulfill and comply with all covenants and obligations to be performed and complied with by the holder of the interest of the person to whom service is due under the Additional Contract Rights arising on or after the Effective Date.

7. Assignee's Indemnification of Assignor Under The Additional Contract Rights. Assignee shall and does indemnify Assignor against, and agrees to hold Assignor harmless from, liabilities and losses incurred by Assignor as a result of claims brought against Assignor relating to causes of action under the Additional Contract Rights that accrue from and after the Effective Date.

8. Assignor's Indemnification of Assignee Under The Additional Contract Rights. Assignor shall and does indemnify Assignee against, and agrees to hold Assignee harmless from, all liabilities and any losses incurred by Assignee as a result of claims brought against Assignee, as Assignor's successor in interest under the Additional Contract Rights, relating to causes of action under the Additional Contract Rights that accrued before the Effective Date.

9. Cooperation. Assignor covenants and agrees to reasonably cooperate with Assignee, upon Assignee's request, in making any claim or bringing any action under or on account of the Contract Rights, Additional Contract Rights, or Proceeds or any of them; provided, however, it will be at no cost to Assignor.

10. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns.

11. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

12. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of Arizona.

13. Recitals. The Recitals set forth above are incorporated herein by this reference and are acknowledged by the parties to be true and correct.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

ASSIGNOR:

[insert applicable Assignor],
a(n)_____

By:_____
Name:_____
Title:_____
Date:_____

ASSIGNEE:

Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona

By:_____
Name:_____
Title:_____
Date:_____

EXHIBIT "A" TO ASSIGNMENT

[LIST OF CONTRACT RIGHTS]

EXHIBIT "B" TO ASSIGNMENT

EXHIBIT "C" TO ASSIGNMENT

[LEGAL DESCRIPTION OF PROPERTY]

Exhibit "J"

Form of Special Warranty Deed

Exhibit "J"
Special Warranty Deed

When recorded, return to:
Michael McNulty, Esq.
Lewis and Roca LLP
One South Church Avenue, Suite 700
Tucson, Arizona 85701-1611

SPECIAL WARRANTY DEED

For the consideration of the sum of Ten Dollars ($10.00) and other valuable consideration, ___**[insert applicable Grantor]**_____, a(n) _____("**Grantor**"), does hereby grant, sell and convey unto Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona, the following described real property located in Pima County, Arizona:

See **Exhibit "A"** attached hereto and by this reference made a part hereof (the "**Property**")

together with all rights, easements and privileges appurtenant thereto.

SUBJECT only to those matters set forth on **Exhibit "B"** attached hereto and by this reference made a part hereof.

Grantor warrants the title to the Property against all acts of Grantor subject only to the matters above set forth.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed this ____ day of _____, 2009.

_____**[insert applicable Grantor]**_____,
a(n)_____

By:_____
Title:_____
Name:_____

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this ____ day of _____, 2009, by _____, the _____ of _____, a(n) _____, on behalf of the _____.

_____
Notary Public

My Commission Expires:

_____

Exhibit "K"

Form of Assignment and Assumption of Easement and Property Rights

Exhibit "K"

Assignment and Assumption of Easement and Property Rights

When recorded, return to:
Michael McNulty, Esq.
Lewis and Roca, LLP
One South Church Avenue, Suite 700
Tucson, Arizona 85701-1611

Assignment of Easements and Property Rights

For good and valuable consideration and pursuant to that certain Asset Purchase Agreement dated as of _____ __, 2009 between Metropolitan Domestic Water Improvement District ("MDWID") and _____**[insert applicable Seller]**_____.

[Seller] hereby assigns and transfers to MDWID all right, title and interest of **[Seller]** under certain easements and property rights as set forth in **Exhibit "A"** hereto, as of the close of business on _____, 200__,

together with all rights, easements and privileges appurtenant thereto.

SUBJECT only to those matters set forth on **Exhibit "B"** attached hereto and by this reference made a part hereof.

Grantor warrants the title to the Property against all acts of Grantor subject only to the matters above set forth.

Dated: _____, 2009.

_____**[insert applicable Seller]**_____,

By:_____
Title:_____
Name:_____

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this ____ day of _____, 2009, by _____, the _____ of _____, a(n) _____, on behalf of the _____.

_____
Notary Public

My Commission Expires:

_____

Exhibit "A" to the
Assignment of Easements and Property Rights

Exhibit "L"

Form of Assignment and Assumption of Water Rights and Well Registrations

Exhibit "L"

Form of Assignment and Assumption of Water Rights and Well Registrations

THIS ASSIGNMENT AND ASSUMPTION OF WATER RIGHTS AND WELL REGISTRATIONS (the "**Water Rights Assignment**") is made to be effective as of _____, 2009 **[fill in with Closing Date]** (the "**Effective Date**"), between ___**[insert applicable Assignor]**_____, a(n) _____ ("**Assignor**"), and Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona ("**Assignee**").

RECITAL: Under the terms of the Asset Purchase Agreement between Assignor, as Seller, and Assignee, as Purchaser, dated _____, 2009 (the "**Agreement**"), Assignor is assigning to Assignee and Assignee is acquiring all of Assignor's interest in, to and under the Water Rights and Well Registrations as defined in the Agreement, all as more particularly described on **Exhibit "A"** attached hereto and incorporated herein by this reference (collectively, the **"Water Rights**").

AGREEMENT: NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as set forth below.

1. Assignment of Water Rights. Assignor assigns, conveys and transfers to Assignee all of Assignor's right, title and interest in, to and under the Water Rights and all claims and causes of action now existing under the same.

2. Assumption of Water Rights. Assignee assumes all covenants and obligations related to the ownership of the Water Rights arising from and after the Effective Date.

3. Assignee's Indemnification of Assignor under the Water Rights. Assignee shall and does indemnify Assignor against, and agrees to hold Assignor harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys' fees), incurred in connection with the Water Rights, based upon or arising out of any breach or alleged breach of the Water Rights by Assignee occurring or alleged to have occurred on or after the Effective Date.

4. Assignor's Indemnification of Assignee under the Water Rights. Assignor shall and does indemnify Assignee against, and agrees to hold Assignee harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys' fees), incurred in connection with the Water Rights, based upon or arising out of any breach or alleged breach of the Water Rights by Assignor occurring or alleged to have occurred before the Effective Date.

5. Assignee's Indemnification of Assignor under the Water Rights. Assignee shall and does indemnify Assignor against, and agrees to hold Assignor harmless from, all liabilities, obligations, actions, suits, proceedings or claims, and all costs and expenses (including, without

limitation, reasonable attorneys' fees), incurred in connection with the Water Rights, based upon or arising out of any breach or alleged breach of the Water Rights by Assignee occurring or alleged to have occurred after the Effective Date.

6. Cooperation. Assignor covenants and agrees to reasonably cooperate with Assignee, upon Assignee's request, in making any claim or bringing any action under or on account of the Water Rights.

7. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns.

8. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

9. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of Arizona.

10. Recitals. The Recitals set forth above are incorporated herein by this reference and are acknowledged by the parties to be true and correct.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

ASSIGNOR:

[insert applicable Assignor],
a(n)_____

By:_____
Name:_____
Title:_____
Date:_____

ASSIGNEE:

Metropolitan Domestic Water Improvement District, a municipal corporation organized under the laws of the State of Arizona

By:_____
Name:_____
Title:_____
Date:_____

EXHIBIT "A" TO ASSIGNMENT OF WATER RIGHTS

[LIST OF WATER RIGHTS, WELL REGISTRATIONS, STATEMENTS OF CLAIMANT AND SERVICE AREA RIGHTS]

Municipal Provider Service Area Right No. 56-_____
{Insert number of the applicable Assignor}

Well Registrations Nos. 55-
{Insert numbers of the applicable Assignor}

Statements of Claim To Public Water Appropriated Prior to 1919 No. 36-_____(none)

Statements of Claimant Nos. 39-_____ (if any)
{Insert data relative to the applicable Assignor}

Certificates of Surface Water Right (none)

Irrigation or Non-irrigation Grandfathered Groundwater Rights (none)

Exhibit "M"

Form of Certificate re RUCO and ACC Assessments

Exhibit "M"

Form of Certificate re RUCO and ACC Assessments

_____**[Insert name of applicable Seller]**_____hereby certifies that (i) the annual Arizona Corporation Commission ("ACC") assessment, due and payable pursuant to A.R.S. § 40-401, and (ii) the Annual Residential Utility Consumer Office Assessment, due and payable pursuant to A.R.S. § 40-401.01, have been paid in full for gross operating revenues received by the company during calendar 2008.

Dated this _____ day of _____, 2009.

_____**[insert name of applicable Seller]**_____

By:_____

Title:_____

Name:_____

Exhibit "N"

New Customer Premium Payment Schedule

Diablo Village Water Company

New Customer Premium Payment Schedule
By Meter Size

START	5/8" Meter $1,100 Rebate 3% Inc/Yr	3/4" Meter $1,210 Rebate 3% Inc/Yr	1" Meter $1,650 Rebate 3% Inc/Yr	1 1/2" Meter $3,300 Rebate 3% Inc/Yr	2" Meter $4,609 Rebate 3% Inc/Yr	3" Meter $11,000 Rebate 3% Inc/Yr	4" Meter $15,400 Rebate 3% Inc/Yr	6" Meter $22,000 Rebate 3% Inc/Yr
Year 1	$1,100.00	$1,210.00	$1,650.00	$3,300.00	$4,609.00	$10,978.00	$15,378.00	$21,978.00
Year 2	1,133.00	1,258.40	1,699.50	3,399.00	4,747.27	11,307.34	15,839.34	22,637.34
Year 3	1,166.99	1,308.74	1,750.49	3,500.97	4,889.69	11,646.56	16,314.52	23,316.46
Year 4	1,202.00	1,361.09	1,803.00	3,606.00	5,036.38	11,995.96	16,803.96	24,015.95
Year 5	1,238.06	1,415.53	1,857.09	3,714.18	5,187.47	12,355.84	17,308.07	24,736.43
Year 6	1,275.20	1,472.15	1,912.80	3,825.60	5,343.09	12,726.51	17,827.32	25,478.53
Year 7	1,313.46	1,531.04	1,970.19	3,940.37	5,503.39	13,108.31	18,362.14	26,242.88
Year 8	1,352.86	1,592.28	2,029.29	4,058.58	5,668.49	13,501.56	18,913.00	27,030.17
Year 9	1,393.45	1,655.97	2,090.17	4,180.34	5,838.54	13,906.60	19,480.39	27,841.07
Year 10	1,435.25	1,722.21	2,152.88	4,305.75	6,013.70	14,323.80	20,064.80	28,676.31
Year 11	1,478.31	1,791.10	2,217.46	4,434.92	6,194.11	14,753.51	20,666.75	29,536.59
Year 12	1,522.66	1,862.74	2,283.99	4,567.97	6,379.93	15,198.12	21,286.75	30,422.69
Year 13	1,568.34	1,937.25	2,352.51	4,705.01	6,571.33	15,652.00	21,925.35	31,335.37
Year 14	1,615.39	2,014.74	2,423.08	4,846.16	6,768.47	16,121.56	22,583.11	32,275.43
Year 15	1,663.85	2,095.33	2,495.77	4,991.55	6,971.53	16,605.21	23,260.60	33,243.70

New Customer Premium Payment Schedule
By Meter Size

START	5/8" Meter $1,100 Rebate 3% Inc/Yr	3/4" Meter $1,210 Rebate 3% Inc/Yr	1" Meter $1,650 Rebate 3% Inc/Yr	1 1/2" Meter $3,300 Rebate 3% Inc/Yr	2" Meter $4,609 Rebate 3% Inc/Yr	3" Meter $11,000 Rebate 3% Inc/Yr	4" Meter $15,400 Rebate 3% Inc/Yr	6" Meter $22,000 Rebate 3% Inc/Yr
Year 1	$1,100.00	$1,210.00	$1,650.00	$3,300.00	$4,609.00	$10,978.00	$15,378.00	$21,978.00
Year 2	1,133.00	1,258.40	1,699.50	3,399.00	4,747.27	11,307.34	15,839.34	22,637.34
Year 3	1,166.99	1,308.74	1,750.49	3,500.97	4,889.69	11,646.56	16,314.52	23,316.46
Year 4	1,202.00	1,361.09	1,803.00	3,606.00	5,036.38	11,995.96	16,803.96	24,015.95
Year 5	1,238.06	1,415.53	1,857.09	3,714.18	5,187.47	12,355.84	17,308.07	24,736.43
Year 6	1,275.20	1,472.15	1,912.80	3,825.60	5,343.09	12,726.51	17,827.32	25,478.53
Year 7	1,313.46	1,531.04	1,970.19	3,940.37	5,503.39	13,108.31	18,362.14	26,242.88
Year 8	1,352.86	1,592.28	2,029.29	4,058.58	5,668.49	13,501.56	18,913.00	27,030.17
Year 9	1,393.45	1,655.97	2,090.17	4,180.34	5,838.54	13,906.60	19,480.39	27,841.07
Year 10	1,435.25	1,722.21	2,152.88	4,305.75	6,013.70	14,323.80	20,064.80	28,676.31
Year 11	1,478.31	1,791.10	2,217.46	4,434.92	6,194.11	14,753.51	20,666.75	29,536.59
Year 12	1,522.66	1,862.74	2,283.99	4,567.97	6,379.93	15,198.12	21,286.75	30,422.69
Year 13	1,568.34	1,937.25	2,352.51	4,705.01	6,571.33	15,652.00	21,925.35	31,335.37
Year 14	1,615.39	2,014.74	2,423.08	4,846.16	6,768.47	16,121.56	22,583.11	32,275.43
Year 15	1,663.85	2,095.33	2,495.77	4,991.55	6,971.53	16,605.21	23,260.60	33,243.70