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AZ CORP COMMISSION
DOCKET CONTROL

1 FENNEMORE CRAIG
 2 A Professional Corporation
 3 Patrick J. Black (No. 017141)
 4 3003 North Central Avenue, Suite 2600
 5 Phoenix, Arizona 85012
 6 Telephone (602) 916-5000
 7 Attorneys for Chaparral City Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

9 IN THE MATTER OF THE APPLICATION
 10 OF CHAPARRAL CITY WATER COMPANY
 11 FOR AN EXTENSION OF ITS CERTIFICATE
 12 OF CONVENIENCE AND NECESSITY FOR
 THE PROVISION OF WATER SERVICE IN
 PORTIONS OF MARICOPA COUNTY,
 ARIZONA

DOCKET NO: W-02113A-00-0459

NOTICE OF FILING

13 Chaparral City Water Company, an Arizona public service corporation
 14 ("Chaparral" or "the Company"), hereby submits this Notice of Filing a Water Service
 15 Operating Agreement between the City of Scottsdale and Chaparral City Water Company
 16 in the above-captioned matter. A copy of the new operating agreement dated April 13,
 17 2010, is attached hereto as **Attachment 1**.

18 RESPECTFULLY SUBMITTED this 28th day of April, 2010.

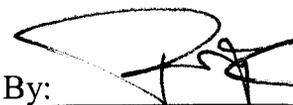
19 FENNEMORE CRAIG, P.C.

20 Arizona Corporation Commission

DOCKETED

21 APR 28 2010

22 DOCKETED BY 

23 By: 
 24 Patrick J. Black
 25 Attorneys for Chaparral City Water
 26 Company

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ORIGINAL and 13 copies filed
this 28th day of April, 2010 with:

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

COPY hand-delivered
this 28th day of April, 2010 to:

Lyn Farmer, Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Janice B. Alward, Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Steven M. Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

By: *Maria San Jose*

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Chaparral City Water Company
Docket No: W-02113A-00-0459

Attachment 1

**WATER SERVICE OPERATING AGREEMENT BETWEEN THE CITY OF SCOTTSDALE AND
CHAPARRAL CITY WATER COMPANY**

This Agreement is entered into this 13th day of April, 2010 by the CHAPARRAL CITY WATER COMPANY, an Arizona corporation ("Chaparral") and the CITY OF SCOTTSDALE, a municipal corporation ("City"). The City and Chaparral are sometimes referred to collectively in this Agreement as the "Parties" and each individually as a "Party".

RECITALS

This Agreement is made with reference to the following facts:

Chaparral and the City entered into Agreement No. 2000-006-COS on April 3, 2000 setting forth Chaparral's responsibilities to provide domestic water and fire protection services to the lots within Scottsdale water service area; and

Chaparral is an Arizona public service corporation and provides water service within the Town of Fountain Hills (the "Town"); and

The City is an Arizona municipal corporation and provides water service to portions of area within the City and in the proximity of the Town; and

The parties desire to terminate Agreement No. 2000-006-COS and replace it with this Agreement; and

The City cannot reasonably provide domestic water and fire protection services to certain portions of real property within its water service area which straddle Chaparral's water service area as is more fully described below and as is more fully identified in Exhibit A and Exhibit B to this Agreement; and

Certain developments of residential property which straddle the respective service areas of Chaparral and the City and include a total of 64 lots (the "Subject Lots"); and

Chaparral obtained approval from the Arizona Corporation Commission (the "ACC") in Decision 63201 issued November 30, 2000 to include the Subject Lots in its Certificate of Convenience and Necessity ("CC&N"), which approval was supported by the City; and

Chaparral has the required water facilities to serve and has been serving water to most of the Subject Lots within the City's water service area for the past several years in accordance with Agreement No. 2000-006-COS; and

Scottsdale No. 2010-023-COS

There are numerous benefits to Chaparral, the City and the various parcels of real property if Domestic Water Service and Fire Protection Service can be provided by Chaparral to the Subject Lots within the City; and

Subject to the following terms and conditions, the Parties agree Chaparral will provide domestic water and fire protection services to the Subject Lots within the City, subject to rates and charges established by the ACC.

AGREEMENT

In consideration of the respective rights, privileges and obligations of the parties, it is agreed as follows:

1.0 EFFECTIVE DATE

This Agreement is effective the 13th day of April 2010, unless an alternative effective date is required by state law. All covenants, rights and obligations of this Agreement are enforceable on the date unless a specific date is otherwise stated in this Agreement. Upon the effective date of this Agreement, all terms and conditions of Agreement No. 2000-006-COS are terminated.

2.0 DOMESTIC WATER AND FIRE PROTECTION SERVICES

Chaparral agrees to provide domestic water and fire protection services to the Subject Lots listed below and more fully described in Exhibit A and Exhibit B to this Agreement:

Thirteen (13) Lots within the Scottsdale Mountain Estates Unit 1, such Lots being more fully identified in Exhibit A and Exhibit B hereto; and

Sixteen (16) Lots within the Hidden Hills Phase 2 Unit 1 Development, such Lots being more fully identified in Exhibit A and Exhibit B hereto; and

Fifteen (15) Lots within the Eagle Ridge at Fountain Hills Development, such Lots being more fully identified in Exhibit A and Exhibit B hereto; and

Thirteen (13) Lots within the Hidden Hills Parcel C Development, such Lots being more fully identified in Exhibit A and Exhibit B hereto; and

Seven (7) Lots within the Hidden Hills Parcel D & E Development, such Lots being more fully identified in Exhibit A and Exhibit B to this Agreement.

By this Agreement, Chaparral is authorized to provide domestic water and fire protection services to the subject lots.

- 2.1 Chaparral agrees to operate its Facilities in accordance with all rules and regulations of the City, the ACC, the Arizona Department of Environmental Quality ("ADEQ") and the Arizona Department of Water Resources ("ADWR") and all other applicable agencies having jurisdiction over the Facilities or services.
- 2.2 Chaparral agrees to provide its services under the terms, conditions, rates and charges for water service which are currently on file with the ACC, subject to change from time to time upon application of Chaparral and as approved by the ACC.
- 2.3 Chaparral agrees to provide domestic water and fire protection services within the Subject Lots in accordance with its CC&N. Chaparral will utilize good utility practice and its best efforts to provide these services.

- 2.4 In the event of development within the Subject Lots Chaparral will enter into its standard form of Line Extension Agreement with the Developer as approved by the ACC, pursuant to which the Developer advances the cost of the required facilities and Chaparral becomes obligated to provide service in accordance with ACC Rules, Regulations, and Tariffs.

3.0 TERM OF AGREEMENT

- 3.1 This Agreement will remain in effect for an initial term of sixty (60) years, or until it is terminated by mutual written consent of the Parties or by breach of either party. After the initial term, this Agreement may be renewed every ten years, by the mutual written consent of the parties. Despite termination of this Agreement, domestic water and fire protection services will be provided to the Remote Service Area in accordance with the terms and conditions of the CC&N until alternative domestic water and fire protection services can be provided by the parties.

4.0 TITLE

No provisions of this Agreement create any right, title or interest by the City in Chaparral's water utility system or facilities.

5.0 CONDITIONS PRECEDENT

Despite the foregoing provisions of this Agreement, the Parties acknowledge and agree that the provisions of this Agreement are contingent upon satisfaction of all of the following:

- 5.1 The signatures of officers of Chaparral approving this Agreement.
- 5.2 The City Council of the City adopting a Resolution approving this Agreement.

6.0 NOTICE PROVISION

Any termination of this Agreement only takes effect 60 days after an instrument has been recorded in the Office of the Maricopa County Recorder acknowledging termination.

7.0 CONFLICT OF INTEREST STATUTES

This Agreement is subject to, and may be terminated by, either Party in accordance with the provisions of A.R.S. §38-511.

8.0 TIME OF ESSENCE

Time is of the essence of each and every provision of this Agreement.

9.0 NON-LIABILITY OF CITY AND CHAPARRAL OFFICIALS

No official, representative, agent, attorney or employee of the City or Chaparral will be personally liable to the other Party or to any successor-in-interest to the other Party or the other Party's successors, or with respect to any obligation of the City or Chaparral, as applicable, under the terms of this Agreement.

10.0 SEVERABILITY

If any provision of this Agreement is declared void or unenforceable (or is construed as requiring either Party to do any act in violation of any constitutional provision, law, regulation, municipal code or municipal charter), in whole or in part, that provision will be considered severed from this Agreement and this Agreement will be considered retroactively reformed to the extent reasonably possible in a manner so that the reformed Agreement provides essentially the same rights and benefits (economic and otherwise) to the Parties as if the severance and reformation were not required. The Parties further agree, in these circumstances, to do all acts and to execute all amendments, instruments and consents necessary to accomplish and to give effect to the purpose of this Agreement, as reformed.

11.0 ATTORNEYS' FEES

If any action is brought by either party to this Agreement with respect to its rights under this Agreement, the prevailing party or parties are entitled to attorney fees and costs from the party as determined by a court of law.

12.0 NO THIRD PARTY BENEFICIARIES

No person or entity is a third party beneficiary to this Agreement.

13.0 EXHIBITS; RECITALS

All Exhibits attached to this Agreement and all of the recitals stated above are incorporated into and made in integral part of this Agreement for all purposes by this reference.

14.0 INTEGRATION

This Agreement (including all Exhibits) constitutes the entire agreement between the Parties with respect to, and supersedes any previous agreement, understanding, negotiation or representation regarding the subject matter of this Agreement. There are no representations, warranties, understandings or agreements other than those expressly stated in this Agreement. The Parties expressly acknowledge and agree that any discussion outlines utilized during the course of negotiations do not constitute binding agreements of the Parties and will not be utilized to interpret or construe any provision of this Agreement.

15.0 FURTHER ASSURANCES

Each Party agrees to perform any further acts and to execute and deliver any additional agreements, documents, acknowledgements, and instruments as any other Party may reasonably require consummating, evidence, confirming or carrying out the transactions contemplated by this Agreement.

16.0 CONSTRUCTION; SECTION HEADINGS

Whenever the context of this Agreement requires, the singular includes the plural, and the masculine, neutral or feminine includes each of the other. The Section headings contained in this Agreement are for convenience of reference only and are not intended to define or limit the scope of any provision of this Agreement.

17.0 BUSINESS DAYS

As used in this Agreement, the term "Business Day" means each day on which commercial banks in the State of Arizona are authorized by law to remain open and upon which major banks in the City of Scottsdale, Arizona are open. Where any action in this Agreement is required on a date that is not a Business Day, the party obligated to take action is entitled to delay that action until the next succeeding Business Day.

18.0 RELATIONSHIP OF PARTIES

No partnerships, joint venture or other business relationship is established among the Parties of this Agreement. Except as expressly provided in this Agreement, no Party is liable for any acts, omissions or negligence on the part of any other Party or that Party's employees, agents, independent contractors, agents or successors-in-interest resulting in either personal injury, economic loss, or property damage to any individual or entity.

19.0 CONSENTS AND APPROVALS

Wherever this Agreement requires or permits the consent or approval of a Party to any act, document, or other matter, that consent or approval may be given or denied by that Party, in its reasonable discretion, unless this Agreement expressly provides otherwise.

20.0 INUREMENT

Except as provided in this Agreement to the contrary, all of the terms, covenants and conditions of this Agreement are binding upon, and inure to the benefit of each Party and the successors and assigns of that Party.

21.0 AMENDMENT

The terms, conditions and representations of the Parties contained in this Agreement may not be orally amended, modified or altered. This Agreement may be modified only if done in writing, signed by the Parties, approved by their respective Council and Officers, and further approved in writing by their respective legal counsel.

22.0 NOTICE

All notices, claims, requires, and demands under this Agreement are to be in writing and served in person or via certified (return receipt requested) United States mail, postage prepaid, addressed as follows:

If to the City: City of Scottsdale
 Water Resources Executive Director
 9388 East San Salvador Drive
 Scottsdale, Arizona 85258

With copy to: City of Scottsdale Attorney's Office
 3939 N. Drinkwater Boulevard
 Scottsdale, Arizona 85251

If to Chaparral: Robert J. Sprowls, President
Chaparral City Water Company
630 E. Foothill Blvd.
San Dimas, CA 91773

Or at any other address as may be determined in writing by the Parties. Service by mail will be considered to occur on the postmark date borne by the return receipt. Routine communications, written or telephonic, between the City and Chaparral must be directed for the City to the Water Services Director (480-312-5650) and for Chaparral, to the Chaparral Manager (480-837-3411). The City and Chaparral each have the affirmative duty to notify each other in writing when notice is given to a different person or address. No payment required under this Agreement is considered made until actually received by the intended payee.

23.0 SUCCESSOR AND ASSIGNS

This Agreement is binding upon the parties and upon their successors. Neither party may assign its rights or obligations under this Agreement without first obtaining the written consent of the other party, which consent may be withheld for any reason.

24.0 MODIFICATION

Any amendment or modification of this Agreement must be in writing and is effective only after the authorized signature of both parties.

25.0 RECITALS

The Recitals are made a part of this Agreement as if stated fully within the provisions of this Agreement.

26.0 COMPLIANCE WITH THE E-VERIFY PROGRAM

Under the provisions of A.R.S. §41-4401, both parties warrant to the other that each party will comply with all Federal Immigration laws and regulations that relate to their employees and that each now complies with the E-Verify Program under A.R.S. §23-214(A).

A breach of this warranty will be considered a material breach of this Agreement and may subject the breaching party to penalties up to and including termination of this Agreement.

The City retains the legal right to inspect the papers of any employee of Chaparral or any subcontractor who works on this Contract to ensure that Chaparral or any subcontractor is complying with the warranty given above. The City can conduct random verification of the employment records of Chaparral and any of its subcontractors to ensure compliance with the warranty.

A Party will not be considered in material breach of this Agreement if it establishes that it has complied with the employment verification provisions prescribed by 8 USCA §1324(a) and (b) of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. §23-214(A).

The provisions of this Article must be included in any contract either party enters into with any and all of its contractors or subcontractors who provide services under this Agreement.

27.0 CONTRACTS WITH SUDAN AND IRAN

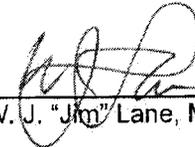
In accordance with A.R.S. §35-391.06 and 35-393.06, the parties certify that they do not have scrutinized business operations in Sudan or Iran, as defined in A.R.S. §35-391(15) and 35-393(12).

The Parties have executed this Agreement this 16th day of April, 2010

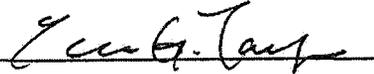
CHAPARRAL CITY WATER COMPANY
an Arizona private corporation

CITY OF SCOTTSDALE
an Arizona municipal corporation

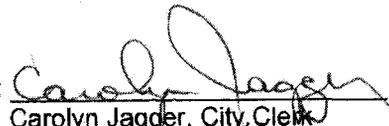
By: 

By: 
W. J. "Jim" Lane, Mayor

Its: Patrick Scanlon
Vice President of Operations

By: 
Its: SVP-Finance and CFO

ATTEST:

By: 
Carolyn Jagger, City Clerk

APPROVED AS TO FORM:


Bruce Washburn, City Attorney

By: Clifford J. Frey
Senior Assistant City Attorney

EXHIBIT A

Transferred Lots			
Subdivision	Parcel	APN Number	Lot Address
Hidden Hills Parcel D&E	1	217-67-175	14528 East Lupine Drive, Scottsdale, Arizona 85259
	2	217-67-176	14554 East Lupine Drive, Scottsdale, Arizona 85259
	3	217-67-177	14551 East Lupine Drive, Scottsdale, Arizona 85259
	4	217-67-178	14523 East Lupine Drive, Scottsdale, Arizona 85259
	5	217-67-179	14495 East Lupine Drive, Scottsdale, Arizona 85259
	6	217-67-180	14467 East Lupine Drive, Scottsdale, Arizona 85259
	7	217-67-181	14439 East Lupine Drive, Scottsdale, Arizona 85259
Hidden Hills Parcel C	1	217-67-152	11838 North 144th Way, Scottsdale, Arizona 85259
	2	217-67-153	11856 North 144th Way, Scottsdale, Arizona 85259
	3	217-67-154	11874 North 144th Way, Scottsdale, Arizona 85259
	4	217-67-155	11892 North 144th Way, Scottsdale, Arizona 85259
	5	217-67-156	10910 North 144th Way, Scottsdale, Arizona 85259
	6	217-67-157	11928 North 144th Way, Scottsdale, Arizona 85259
	7	217-67-158	11946 North 144th Way, Scottsdale, Arizona 85259
	8	217-67-159	11964 North 144th Way, Scottsdale, Arizona 85259
	9	217-67-160	11982 North 144th Way, Scottsdale, Arizona 85259
	10	217-67-161	12000 North 144th Way, Scottsdale, Arizona 85259
	11	217-67-162	12018 North 144th Way, Scottsdale, Arizona 85259
	12	217-67-163	12036 North 144th Way, Scottsdale, Arizona 85259
	13	217-67-164	12054 North 144th Way, Scottsdale, Arizona 85259
Hidden Hills Phase 2 Unit 1	1	176-15-479	14581 East Wethersfield Road, Scottsdale, Arizona 85259
	2	176-15-480	14565 East Wethersfield Road, Scottsdale, Arizona 85259
	3	176-15-481	14549 East Wethersfield Road, Scottsdale, Arizona 85259
	4	176-15-483	14533 East Wethersfield Road, Scottsdale, Arizona 85259
	5	176-15-485	14517 East Wethersfield Road, Scottsdale, Arizona 85259
	6	176-15-486	14501 East Wethersfield Road, Scottsdale, Arizona 85259
	7	176-15-500	14550 East Wethersfield Road, Scottsdale, Arizona 85259
	8	176-15-502	14568 East Wethersfield Road, Scottsdale, Arizona 85259
	9	176-15-504	14586 East Wethersfield Road, Scottsdale, Arizona 85259
	10	176-15-522	14369 East Charter Oak Drive, Scottsdale, Arizona 85259
	11	176-15-524	14355 East Charter Oak Drive, Scottsdale, Arizona 85259
	12	176-15-525	14316 East Charter Oak Drive, Scottsdale, Arizona 85259
	13	176-15-526	14328 East Charter Oak Drive, Scottsdale, Arizona 85259
	14	176-15-527	14340 East Charter Oak Drive, Scottsdale, Arizona 85259
	15	176-15-528	14352 East Charter Oak Drive, Scottsdale, Arizona 85259
	16	176-15-529	14364 East Charter Oak Drive, Scottsdale, Arizona 85259

Transferred Lots			
Subdivision	Parcel	APN Number	Lot Address
Eagle Ridge at Fountain Hills	1	176-14-492	12144 North Sunset Vista Drive, Scottsdale, Arizona 85255
	2	176-14-494	12112 North Sunset Vista Drive, Scottsdale, Arizona 85255
	3	176-14-496	14808 East Paradise Drive, Scottsdale, Arizona 85255
	4	176-14-498	14784 East Paradise Drive, Scottsdale, Arizona 85255
	5	176-14-499	14760 East Paradise Drive, Scottsdale, Arizona 85255
	6	176-14-500	14736 East Paradise Drive, Scottsdale, Arizona 85255
	7	176-14-501	14712 East Paradise Drive, Scottsdale, Arizona 85255
	8	176-14-502	147627 East Paradise Drive, Scottsdale, Arizona 85255
	9	176-14-503	14651 East Paradise Drive, Scottsdale, Arizona 85255
	10	176-14-504	14675 East Paradise Drive, Scottsdale, Arizona 85255
	11	176-14-505	14699 East Paradise Drive, Scottsdale, Arizona 85255
	12	176-14-506	14723 East Paradise Drive, Scottsdale, Arizona 85255
	13	176-14-507	14747 East Paradise Drive, Scottsdale, Arizona 85255
	14	176-14-508	14771 East Paradise Drive, Scottsdale, Arizona 85255
	15	176-14-510	14795 East Paradise Drive, Scottsdale, Arizona 85255
Scottsdale Mountain Estates Parcel A	1	217-19-876	14397 Ease Daven Point Drive, Scottsdale, Arizona 85259
	2	217-19-877	14373 Ease Daven Point Drive, Scottsdale, Arizona 85259
	3	217-19-878	14351 Ease Daven Point Drive, Scottsdale, Arizona 85259
	4	217-19-879	14325 Ease Daven Point Drive, Scottsdale, Arizona 85259
	5	217-19-880	14303 Ease Daven Point Drive, Scottsdale, Arizona 85259
	6	217-19-881	14312 Ease Daven Point Drive, Scottsdale, Arizona 85259
	7	217-19-882	14346 Ease Daven Point Drive, Scottsdale, Arizona 85259
	8	217-19-883	13672 North 143rd Way, Scottsdale, Arizona 85259
	9	217-19-884	13769 North 143rd Way, Scottsdale, Arizona 85259
	10	217-19-885	13723 North 143rd Way, Scottsdale, Arizona 85259
	11	217-19-886	13685 North 143rd Way, Scottsdale, Arizona 85259
	12	217-19-887	13647 North 143rd Way, Scottsdale, Arizona 85259
	13	217-19-888	13380 North 143rd Way, Scottsdale, Arizona 85259

EXHIBIT B

Lots Transferred from City's Water Service Area to Chaparral City Water Company Water Service Area

