

NEW APPLICATION



0000117836

RECEIVED

1 FENNEMORE CRAIG
Norman D. James (Bar No. 006901)
2 Karen E. Errant (Bar No. 016173)
3003 North Central Ave.
3 Suite 2600
Phoenix, AZ 85012
4 (602) 916-5000

2000 MAY 30 P 4: 50

AZ CORP COMMISSION
DOCUMENT CONTROL

5 Attorneys for H2O, Inc.

6
7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8
9 IN THE MATTER OF THE APPLICATION
10 OF H2O, INC. FOR AN EXTENSION OF
11 ITS EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY.

DOCKET NO. W-02234A-00-0371

APPLICATION

12 H2O, Inc., an Arizona corporation ("Company"), hereby
13 applies for an Order approving an extension of the Company's
14 existing Certificate of Convenience and Necessity ("CC&N") to
15 include property contiguous to its CC&N, including properties
16 owned by Queen Creek 880, d/b/a Pecan Farms of Arizona ("Queen
17 Creek 880"). In support of this Application, Company states as
18 follows:

19 1. Company is an Arizona corporation engaged in providing
20 water utility service for public purposes within portions of
21 Pinal County, Arizona. Company was first granted its CC&N in
22 Decision No. 41706 (November 12, 1971). The Company's CC&N was
23 subsequently extended pursuant to Decision Nos. 43476, 43987, and
24 55738. The Company currently has approximately 380 water utility
25 customers, and the area served by Company contains both
26 residential and commercial properties.

1 2. The additional area covered by this Application
2 includes property owned by and/or being developed by Queen Creek
3 880, who has requested that Company extend water utility service
4 to that property. A copy of the letter from Queen Creek 880
5 requesting service is attached hereto as Exhibit 1. The
6 additional area also includes property owned by and/or being
7 developed by DCS Contracting, Inc., who has requested that
8 Company extend water utility service to that property. A copy of
9 a detailed breakdown of the area covered by this Application, and
10 the current and potential future uses thereof, is attached hereto
11 as Exhibit 2.

12 3. Company's business address is P.O. Box 40340, Mesa,
13 Arizona 85274-0340, and its telephone number is (480) 491-6971.
14 The management contact for the Company is Mr. Donald Schnepf,
15 whose address is 832 W. Baseline Road, Suite 18, Mesa, Arizona
16 85210. Mr. Schnepf's business telephone number is (480) 491-
17 6971.

18 4. The Company's operator certified by the Arizona
19 Department of Environmental Quality is Daniel Shapr - Clearwater
20 Group, Inc., whose address is 7250 East Gary Street, Mesa,
21 Arizona 85207. His telephone number is (480) 985-4569.

22 5. The Company's attorneys are Fennemore Craig, whose
23 address is 3003 North Central Avenue, Suite 2600, Phoenix,
24 Arizona 85012-2913. The individual attorneys responsible for
25 this application are Norman D. James and Karen E. Errant. Their
26 telephone number is (602) 916-5000.

1 6. A Certificate of Good Standing for the Company is
2 attached hereto as Exhibit 3.

3 7. A legal description of the area covered by this
4 Application is attached as Exhibit 4.

5 8. The newly acquired customers in the requested area will
6 receive water service subject to the Company's current rates and
7 charges for water utility service.

8 9. Detailed maps indicating the Company's present CC&N and
9 the area requested by this Application are attached hereto as
10 Exhibit 5.

11 10. Company's Annual Report to the Utilities Division of
12 the Arizona Corporation Commission which contains balance sheet
13 and profit and loss information for the 12-month period ending
14 December 31, 1999 is attached hereto as Exhibit 6.

15 11. The estimated numbers of customers to be served in each
16 of the first five years of water utility service to the new area
17 covered by this Application are as follows:

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
19 1 st Year	<u>730</u>	1 st Year <u>10</u>	1 st Year <u>5</u>
20 2 nd Year	<u>2,005</u>	2 nd Year <u>35</u>	2 nd Year <u>15</u>
21 3 rd year	<u>3,736</u>	3 rd Year <u>70</u>	3 rd Year <u>29</u>
22 4 th Year	<u>5,806</u>	4 th Year <u>112</u>	4 th Year <u>45</u>
23 5 th Year	<u>8,367</u>	5 th Year <u>166</u>	5 th Year <u>64</u>

24 12. The Company's projected annual water demand, in
25 gallons, for each of the customer classes in the new area covered
26 by this Application for each of the first five years, is as
follows:

	<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>	
1						
2	1 st Year	<u>141,448,957</u>	1 st Year	<u>2,109,492</u>	1 st Year	<u>4,209,064</u>
3	2 nd Year	<u>388,751,638</u>	2 nd Year	<u>7,582,332</u>	2 nd Year	<u>33,368,522</u>
4	3 rd Year	<u>724,246,600</u>	3 rd Year	<u>15,082,599</u>	3 rd Year	<u>23,804,594</u>
5	4 th Year	<u>1,125,623,136</u>	4 th Year	<u>32,292,179</u>	4 th Year	<u>40,313,477</u>
6	5 th Year	<u>1,622,183,185</u>	5 th Year	<u>36,021,459</u>	5 th Year	<u>58,973,660</u>

7
8 13. The Company's estimated annual operating revenue and
9 operating expenses for each of the first five years of operation
10 in the new area covered by this Application are as follows:

	<u>Operating Revenue</u>		<u>Operating Expenses</u>	
11	1 st Year	<u>425,945</u>	1 st Year	<u>416,285</u>
12	2 nd Year	<u>1,179,912</u>	2 nd Year	<u>1,149,903</u>
13	3 rd Year	<u>2,207,240</u>	3 rd Year	<u>2,145,898</u>
14	4 th Year	<u>3,431,900</u>	4 th Year	<u>3,336,348</u>
15	5 th Year	<u>4,945,038</u>	5 th Year	<u>4,811,247</u>
16				

17 14. The Company's Water Use Data Sheet for the past 13
18 months is attached hereto as Exhibit 7.

19 15. The Company's total estimated cost to construct utility
20 facilities to serve customers in the requested area is
21 approximately \$1,500 per service connection.

22 16. The utility facilities needed to serve the requested
23 area will be constructed as needed to provide service to
24 customers. The estimated starting and completion dates for the
25 construction of these facilities are as follows:

26 Starting Date : Fall, 2000
Completion Date: 2010

1 17. The construction of the utility facilities to serve the
2 requested area will be financed primarily by advances in aid of
3 construction in accordance with A.A.C. R14-2-406. The Company
4 will enter into written main extension agreements with developers
5 and customers requesting service, and will submit copies to the
6 Utilities Division for review and approval, as required under the
7 regulation. At that time, the Company will also furnish: (a)
8 appropriate Certificate(s) of Approval to Construct, and (b) with
9 respect to all residential subdivisions, a Certificate of Assured
10 Water Supply.

11 18. A franchise has previously been granted by Pinal County
12 to Company which includes the requested area. A copy of the
13 Company's Franchise Agreement is attached hereto as Exhibit 8.

14 19. Notice of this Application will be provided by the
15 Company as required by the Commission. Notice will be given by
16 publication in a newspaper of general circulation, and where
17 practicable, by mail to the known property owners within the
18 requested area. Proof of publication and service of the notice
19 will be filed with the Commission.

20 20. The Company maintains that this Application is in the
21 public interest and should be granted. The requested area is
22 contiguous to the Company's existing certificated area, and the
23 Company is in the best position to extend and provide service to
24 the requested area. Expansion of service into the requested area
25 will benefit the Company and its existing customers by allowing
26 the cost of providing water service to be spread over a larger

1 customer base and allowing the Company to achieve greater
2 economies of scale. This will improve the Company's financial
3 condition and foster orderly growth in the area.

4 21. The Company is currently in compliance with all water
5 quality standards and requirements, and other regulatory
6 requirements applicable to its provision of water utility
7 service.

8 WHEREFORE, Company respectfully requests the following:

9 A. That the Commission proceed to consider and act upon
10 this Application as speedily as possible and to schedule a
11 hearing, if necessary, on this matter;

12 B. That upon completion of said hearing that the
13 Commission enter an Order approving the extension of the
14 Company's current Certificate of Convenience and Necessity to
15 include the additional geographic area requested by this
16 Application and which has been fully described herein; and

17 C. For such other and further relief as may be appropriate
18 under the circumstances herein.

19 DATED this 30th day of May, 2000.

20 FENNEMORE CRAIG, P.C.

21

22

By Karen E. Errant
Norman D. James
Karen E. Errant
3003 North Central, Suite 2600
Phoenix, Arizona 85012
Attorneys for H2O, Inc.

23

24

25

26

1 ORIGINAL AND TEN COPIES
filed this 30th day of May,
2 2000, with:

3 Docket Control
ARIZONA CORPORATION COMMISSION
4 1200 West Washington St.
Phoenix, Arizona 85007

5
6 COPY hand-delivered this 30th
day of May, 2000 to:

7 Mark DiNunzio
8 Utilities Division
ARIZONA CORPORATION COMMISSION
9 1200 West Washington Street
Phoenix, Arizona 85007

10 Deborah R. Scott
11 Director, Utilities Division
ARIZONA CORPORATION COMMISSION
12 1200 West Washington Street
Phoenix, Arizona 85007

13 Lyn Farmer
14 Chief Counsel
Legal Division
15 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
16 Phoenix, Arizona 85007

17 Michelle Harding
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26

H2O, Inc.
P. O. Box 40340
Mesa, Arizona 85274-0340

Subject: PECAN RANCH, a Proposed Development in Section 20 & 29,
Township 2 South, Range 8 East, GSRB&M, Pinal County, Arizona.
Pinal County Assessor's Parcel 104-22-003, 004, 008

RE: Certificate of Convenience & Necessity ("CCN") for Potable Water Service

Gentlemen:

Please be advised that the above referenced property is currently being zoned pursuant to Land Use Plan prepared by CornoyerHedrick Engineers, which initially provides for 3,157 dwelling units and possibly a Golf Course, Elementary School site, and some Commercial uses.

It is our understanding that H2O, Inc., currently holds a CCN for all of Section 20, but no one holds a CCN for Section 29.

Let this letter be Notice to all interested parties that the undersigned represents they are the owner of record or authorized to execute on behalf of the owner this request to include, for all purposes, all of Section 29, Township 2 South, Range 8 East, GSRB&M, Pinal County, Arizona into the CCN currently held by H2O, Inc.,

We understand that following Certification, H2O, Inc. will provide water service to the entire development pursuant to the Arizona Corporation Commission's rules, regulations, as detailed in Arizona Administrative Code Title 14, Chapter 2, Article 4. Water Utilities, tariffs and orders applicable to the Company.

ATTEST


Ralph Thomas, Managing Partner
QUEEN CREEK 880, dba Pecan Farms of Arizona
6831 E. 5th Ave., Ste 200
Scottsdale, AZ 85251

**DETAILED BREAKDOWN OF AREA REQUESTED
TO BE INCLUDED IN CCN**

LOCATED WITHIN TOWNSHIP 2&3 SOUTH, RANGE 8 EAST, GILA & SALT RIVER BASE AND MERIDIAN PINAL COUNTY ARIZONA				
MAP ID		DU/AC	ACRES	UNITS
SECTION 28, T2S, R8E				
B	APN: 104-22-007A	Land Use Plan filed with Pinal County for:		
	USE: MULTI TENANT INDUSTRIAL	HOME PLACE (all of Sec 28)		
	OWNERS: Spike H Enterprises/CR	LD Low Density Res.	1	85
	ACRES: 90.0	MLD Medium Low Density Res.	2.8	105
		MD Medium Density Res.	5.6	203
	APN: 104-22-007B	MHD Medium High Density Res	8.6	15
	USE: Agricultural (NEC)	HD High Density Res	15.1	35
	OWNERS: Wales Ranches LTD PSHIP	C/CO Commercial	0.75	77
	ACRES: 550.0	S School	0.13	15
		P/OS Park	0.05	105
MAP AREA B TOTALS			3.50	640
SECTION 29, T2S, R8E				
A	APN: 104-22-008	Land Use Plan filed with & ZONED by Pinal County for:		
	USE: Orchard	PECAN FARM (all of Sec 29 + South 240 acres of Sec. 20)		
	OWNERS: Ralph Thomas/EA	CR-2 Low Density Res.	3	93
	ACRES: 640.0	CR-3A Medium Low Density Res.	3.5	185
		CR-3B Medium Density Res.	6	162
		CR-4 Medium High Density Res	10	43
		CR-5 High Density Res	18	46
		CB-2 Commercial	0.5	146
		School	0.13	15
		SR Park	0.04	190
MAP AREA A TOTALS			3.68	880
<p>We currently have mainlines at the NE corner and along the West side from Chandler Heights Rd to the north side of the Queen Creek Wash which would connect into a distribution system on this site, also engineering is complete to extend a mainline south of the Wash along Vineyard Rd to Combs Rd. (the entire western boundary of Section 29).</p> <p>WE HAVE RECENTLY HAD SEVERAL MEETINGS WITH POTENTIAL DEVELOPERS AND HOME BUILDERS WISHING TO QUANTIFY WATER INFRASTRUCTURE COST TO SERVE THIS ENTIRE 880 ACRE DEVELOPMENT (OUR CURRENT CCN INCLUDES THE NORTH 240 ACRES OF THIS PROPERTY) NEW INFRASTRUCTURE TO BE FINANCED BY DEVELOPER LINE EXTENSION AGREEMENTS.</p> <p>There are two irrigation wells on the eastern side of the property which may be convertible to potable water sources, if so no new wells will have to be drilled. We will need to establish a new storage & pumping plant on-site to meet site demand as well as the area adjacent to the east (HOME PLACE) and south (SEC 32) and southwest (SEC 31) and west (SEC 30).</p>				

ATTACHMENT "E"
DETAILED BREAKDOWN OF AREA REQUESTED
TO BE INCLUDED IN CCN

LOCATED WITHIN TOWNSHIP 2&3 SOUTH, RANGE 8 EAST, GILA & SALT RIVER BASE AND MERIDIAN PINAL COUNTY ARIZONA						
MAP ID				DU/AC	ACRES	UNITS
D	APN: 104-64-003G	SH	Very Low Density	0.75	20.0	15
	USE: TAX EXEMPT					
	OWNERS: WILLIAM R & VICTORIA ZIMMERMAN L/JT					
	ACRES: 20.0					
	APN: 104-64-003H	Land Use Plan & Zoning App filed with Pinal County for:				
	APN: 104-64-003J	(30-Lot Subdivision loc. in the W 1733' of the S 989' of				
	OWNERS: DCS CONTRACTING, INC.	NE 1/4 Sec 33 T2S, R8E, G&S.R.B.&M.)				
	ACRES: 39.36	DEVELOPERS: DCS CONTRACTING, INC.				
				PROJECT TOTALS	40	30
<p>HAVE MADE REQUEST FOR A LINE EXTENSION CONNECTING TO EXISTING SYSTEM AT THE NE COR SEC 28 AND RUNNING SOUTH ALONG THE WEST SIDE OF SCHENPF RD APPROXIMATELY 1 1/2 MILE TO THE E 1/4 COR SEC 33, THEN WEST TO PROPOSED DEVELOPMENT. PROJECTED COST = \$95,000. TO BE FINANCED IN PART BY DEVELOPER LINE EXTENSION AGREEMENT AND COMPANY PARTICIPATION.</p> <p>THIS TRANSMISSION LINE WILL INITIALLY AND PARTIALLY SERVE THE HOME PLACE DEVELOPMENT; THE WARE FARM DEVELOPMENT AND ALL OF THE NE 1/4 SEC 33 ALONG THEIR ENTIRE EASTERN BOUNDARIES CONNECTION WITH ON-SITE DISTRIBUTION FACILITIES.</p>						
D	APN: 104-64-004	SH	Very Low Density			
	USE: SFR					
	OWNERS: LELAND & CANDY SCHULMAN					
	ACRES: 2.0				2.0	1
<p>MAP AREA D IS MADE UP OF VARIOUS SMALL PARCELS AND IS SUBJECT TO MINOR LAND DIVISIONS (5-SPLITS PER PARCEL) AND WILL MOSTLY DEVELOP WITHOUT ANY FORMAL SUBDIVISION FILINGS BY USING EASEMENTS FOR INGRESS, EGRESS AND UTILITIES</p>						
MAP AREA D TOTALS NE 1/4 SEC 33					161.5	121
SECTION 31, T2S, R8E (located East of SP/UP RR R/W)						
E	APN: 104-22-012A	CR-2	Low Density Res.	1	50.0	50
	USE: TRUCK CROPS	CR-3A	Medium Low Density Res.	2.8	110.0	308
	OWNERS: WALTER P & MAURINE GANTZ	CR-3B	Medium Density Res.	5.6	85.0	476
	ACRES: 334.25	CR-4	Medium High Density Res	8.6	14.0	120
		CR-5	High Density Res	15.1	0.0	0
		CB-2	Commercial	0.5	55.3	28
		I-1	Industrial	0.5	20.0	10
	PARCEL TOTALS					334.25

ATTACHMENT "E"
DETAILED BREAKDOWN OF AREA REQUESTED
TO BE INCLUDED IN CCN

LOCATED WITHIN TOWNSHIP 2&3 SOUTH, RANGE 8 EAST, GILA & SALT RIVER BASE AND MERIDIAN PINAL COUNTY ARIZONA					
MAP ID		DU/AC	ACRES	UNITS	
E	APN: 104-22-013B	CR-2 Low Density Res.	1	10	10
	USE: TRUCK CROPS	CR-3A Medium Low Density Res.	2.8	24	67
	OWNERS: RITTENHOUSE PROP GEN PS	CR-3B Medium Density Res.	5.6	16	90
	ACRES: 80.0	CR-4 Medium High Density Res	8.6	0.0	0
		CR-5 High Density Res	15.1	0	0
		CB-2 Commercial	0.5	20	10
		I-1 Industrial	0.5	10	5
	PARCEL TOTALS			80.0	182
E	APN: 104-22-013C	CR-2 Low Density Res.	1	10	10
	USE: TRUCK CROPS	CR-3A Medium Low Density Res.	2.8	23.6	66
	OWNERS: FIRST AM TITLE INS CO TR 77	CR-3B Medium Density Res.	5.6	15	84
	ACRES: 78.58	CR-4 Medium High Density Res	8.6	0	0
		CR-5 High Density Res	15.1	0	0
		CB-2 Commercial	0.5	10	5
		I-1 Industrial	0.5	20	10
	PARCEL TOTALS			78.58	175
<p>SECTION 31 EAST OF THE RR ROW IS CURRENTLY UNDER A LAND USE STUDY FOR A PLANNED AREA DEVELOPMENT APPLICATION TO BE FILED WITH PINAL COUNTY PLANNING & DEVELOPMENT. DENSITY/UNITS HAVE NOT BEEN ESTABLISHED AT THIS TIME, HOWEVER, WE ANTICIPATE SOME CR-2, CR-3, CB-2 & INDUSTRIAL FOR AN AVERAGE DENSITY OF APPROXIMATELY 2.5 DU/AC.</p> <p>The Line Extension referenced above extending down Vineyard Road to Combs School (NW COR Sec 33) will intersect Section 31 at its NE corner appx. 1-mile east of RR ROW.</p>					
MAP AREA E TOTALS			492.8	1,349	

ATTACHMENT "E"
DETAILED BREAKDOWN OF AREA REQUESTED
TO BE INCLUDED IN CCN

LOCATED WITHIN TOWNSHIP 2&3 SOUTH, RANGE 8 EAST, GILA & SALT RIVER BASE AND MERIDIAN PINAL COUNTY ARIZONA					
MAP ID			DU/AC	ACRES	UNITS
PT. SECTION 5, T3S, R8E (located East of SP/UP RR ROW)					
E	APN: 210-06-001	CR-2 Low Density Res.	1	21	21
	USE: VACANT LAND (NEC)	CR-3A Medium Low Density Res.	2.8	48	134
	OWNERS: ALLAN C THOMPSON	CR-3B Medium Density Res.	5.6	32	179
	ACRES: 161.64	CR-4 Medium High Density Res	8.6	5	43
		CR-5 High Density Res	15.1	0	0
		CB-2 Commercial	0.5	12	6
		I-1 Industrial	0.5	43	22
PARCEL TOTALS			2.52	161	405
PT. SECTION 6, T3S, R8E (located East of SP/UP RR ROW)					
E	APN: 210-07-001B	CR-2 Low Density Res.	1	4	4
	USE: TRUCK CROPS	CR-3A Medium Low Density Res.	2.8	8	22
	OWNERS: FIRST AM TITLE INS CO TR 77	CR-3B Medium Density Res.	5.6	6.5	36
	ACRES: 26.87	CR-4 Medium High Density Res	8.6	0	0
		CR-5 High Density Res	15.1	0	0
		CB-2 Commercial	0.5	2	1
		I-1 Industrial	0.5	6	3
	188.51	PARCEL TOTALS	2.52	26.5	67
<div style="border: 1px solid black; padding: 5px;"> We have numerous inquires RE: Water Service to this small pocket of deeded property (state lands south & east) lying south of Hash Knife Rd & east of the RR ROW (Pt. Sec. 5 & 6 T3S, R8E) ANTICIPATE DEVELOPMENT STARTING WHEN PINAL COUNTY DOT OPENS VINEYARD RD FROM COMBS RD SOUTH TO HUNT HWY (1-2 years) </div>					
MAP AREA F TOTALS			2.52	187.5	472
ALL AREA TOTALS			3.13	2,842	8,906

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****H20, INC.*****

a domestic corporation organized under the laws of the state of Arizona, did incorporate on October 5, 1972.

I further certify that this corporation has filed all affidavits and annual reports and paid all filing fees required to date and, therefore, is in good standing in this state.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capitol, this 24th day of May, 2000, A. D.



A handwritten signature in black ink, appearing to read "Brian C. McNeil".

Executive Secretary

BY: Alma Castillo

EXHIBIT 3

LEGAL DESCRIPTION

All of Section 28, Section 29, Section 33, Township 2 South, Range 8 East, GSRB&M

The NE $\frac{1}{4}$; that portion of the NW $\frac{1}{4}$, the SW $\frac{1}{4}$, and the SE $\frac{1}{4}$ lying north of the S.P. Railroad in Section 31, Township 2 South, Range 8 East GSRB&M

The NW $\frac{1}{4}$ Section 5, Township 3 South, Range 8 East GSRB&M

That portion of the NE $\frac{1}{4}$ NE $\frac{1}{4}$ and the SE $\frac{1}{4}$ NE $\frac{1}{4}$ lying north of the S.P. Railroad in Section 6, Township 3 South, Range 8 East GSRB&M

EXHIBIT 4

NAME OF COMPANY _____ H2O, INC. _____

PINAL	2-South	8-East
COUNTY	TOWNSHIP	RANGE

6		5		4		3
						2
						1
7		8		9		1 0
						1 1
						1 2
1 8		1 7		1 6		1 5
						1 4
						1 3
1 9		2 0		2 1		2 2
						2 3
						2 4
3 0		2 9		2 8		2 7
						2 6
						2 5
3 1		3 2		3 3		3 4
						3 5
						3 6

Type or Print Description Here:

Blue = Existing CC&Ns _____

Pink = Extension _____

NAME OF COMPANY H2O, INC.

PINAL	3-South	8-East
COUNTY	TOWNSHIP	RANGE

6	5	4	3	2	1
7	8	9	1 0	1 1	1 2
1 8	1 7	1 6	1 5	1 4	1 3
1 9	2 0	2 1	2 2	2 3	2 4
3 0	2 9	2 8	2 7	2 6	2 5
3 1	3 2	3 3	3 4	3 5	3 6

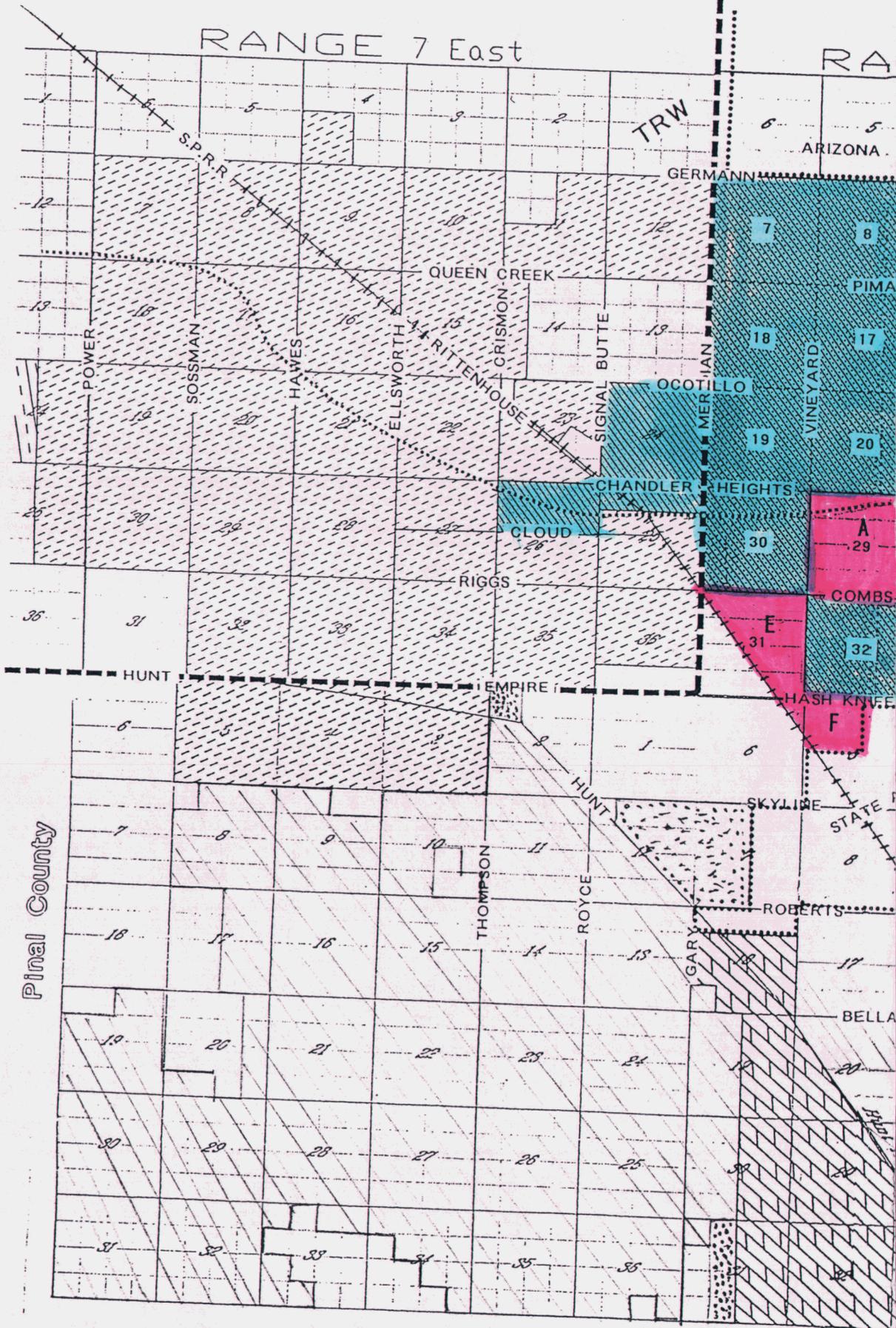
Type or Print Description Here:

Blue = Existing CC&Ns

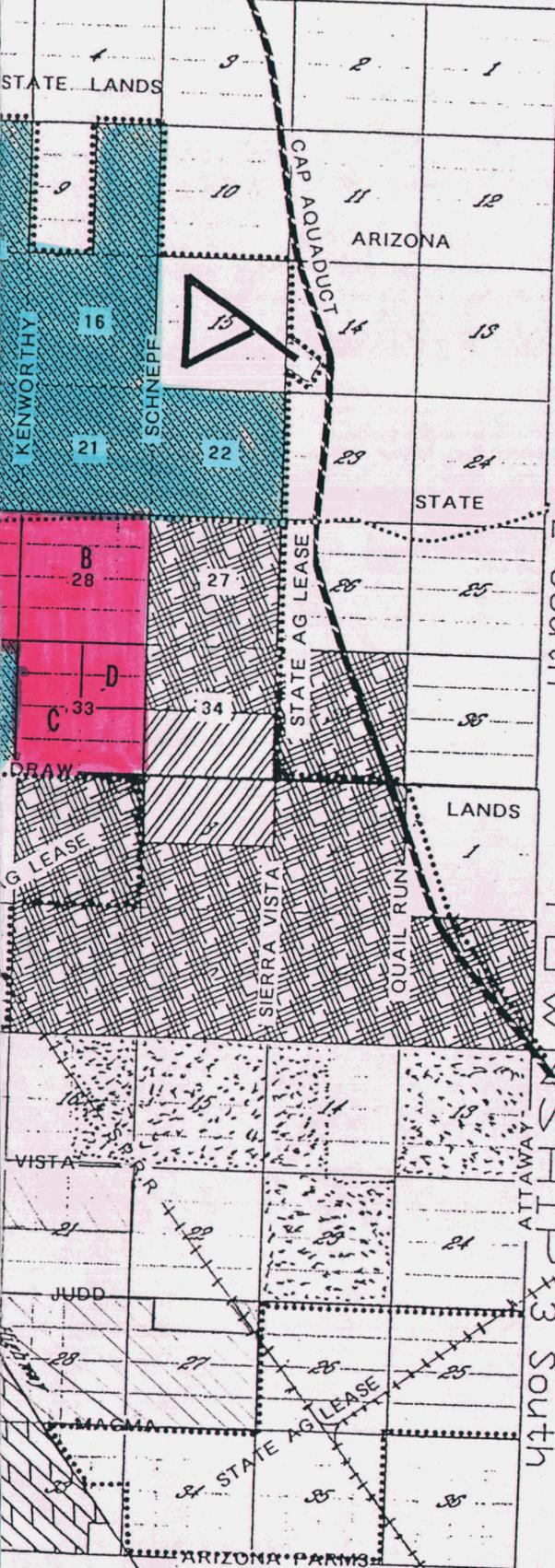
Pink = Extension

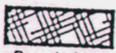
1a COUNTY: *Maricopa* COU

RANGE 7 East

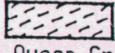


RANGE 8 East



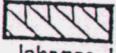
-  U-2234 (1)
H₂O, Inc.
-  U-1792 (2)
Quail Hollow Water Company
-  U-2425 (2)
Sun Valley Farms Unit VI Water Co.

Quail Hollow Water Company
 Docket No. U-1792-95-054
 Application to Transfer to
 Quail Hollow Water Company, Inc.
 Docket No. U-2859-95-054

-  U-1395 (1)
Queen Creek Water Company

- TR338E 21 DEC 1987
-  U-1792 (2)
Quail Hollow Water Company
 -  U-2425 (2)
Sun Valley Farms Unit VI Water Company

Quail Hollow Water Company
 Docket No. U-1792-95-054
 Application to Transfer to
 Quail Hollow Water Company, Inc.
 Docket No. U-2859-95-054

-  Johnson Utilities Company
 Docket No. U-2987-95-284
 Application for CC&N

Johnson Utilities Company
Docket No. WS-2987-99-583
Application for Extension

ANNUAL REPORT TO ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION
1200 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007

ANNUAL REPORT MAILING LABEL - (PLEASE COMPLETE/CHANGE, IF NECESSARY)

W-02234A water>
H2O, INC.
P. O. BOX 40340
MESA AZ 85274

FOR YEAR ENDING

12	31	99
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REPORT DUE DATE, BY UTILITY TYPE, SHOWN IN BOX BELOW:

This Long Form is to be used by ALL Electric, Gas, and Telecommunications (except AOS, Cellular, CLEC*, COPT*, PCS*, or Telecommunication Reseller) utilities (DUE APRIL 1, 2000); by Water utilities with \$250,000 or more in water annual gross operating revenues (DUE APRIL 15, 2000); and by Sewer utilities with \$250,000 or more in sewer annual gross operating revenues (DUE APRIL 15, 2000).

UTILITY TYPE DESIGNATION: THIS ANNUAL REPORT PROVIDES INFORMATION ON THE FOLLOWING TYPE OF UTILITY -PLEASE CHECK ONLY ONE BOX:

- | | |
|---|--|
| <input type="checkbox"/> Investor Owned Electric | <input type="checkbox"/> Sewer (i.e. Wastewater) |
| <input type="checkbox"/> Rural Electric Cooperative | <input type="checkbox"/> Telecommunications - Incumbent
Local Exchange Carrier (ILEC) |
| <input type="checkbox"/> Natural Gas | <input type="checkbox"/> Telecommunications - Interexchange
Carrier (IXC) |
| <input type="checkbox"/> Propane Gas | <input checked="" type="checkbox"/> Water |
| <input type="checkbox"/> Irrigation only | <input type="checkbox"/> Other (Please Specify) _____ |

*AOS, CLEC, COPT, and PCS denote alternative operator service, competitive local exchange carrier service, customer-owned pay telephone service, and personal communications service, respectively.

EXHIBIT 6

Company Name H2O, INC Year Ending 12/31/99

Name of Certificate Holder H2O, INC., AN ARIZONA CORPORATION

Date of Original CC&N* NOVEMBER 12, 1971

Company Name (dba name), if different from above _____

Local Office Mailing Address P.O. BOX 40340
(Street or P. O. Box)

MESA AZ 85274-0340
(City) (State) (Zip)

Physical Address (if different from above) 832 W BASELINE ROAD #18
(Street) (Zip)

MESA AZ 85210
(City) (State) (Zip)

Local Office Tel. No. 480/491-6971 After Hrs./Emerg. No. 480/491-6971
(Include Area Code/Ext) (Include Area Code/Ext)

Local Office Fax No. 480/491-6739 Pager No. _____
(Include Area Code/Ext) (Include Area Code)

Is Utility in Operation at this time? Yes No
If no, Please Explain: _____

Last Rate Increase Effective Date JUNE 1 1994
(Month) (Day) (Year)

Utility Company Ownership:

- Sole Proprietor (S) C Corporation (C) (Other than Association/Co op)
 Partnership (P) Subchapter S Corporation (Z)
 Bankruptcy (B) Association/Co op (A)
 Receivership (R) Limited Liability Company (L)
 Other (X) _____

If Utility Company is a Subsidiary of a Parent Company:

Owned By Controlled By:

Name of Parent Company _____

Acquisition Date _____
(MM) (DD) (YY)

If Utility is Incorporated - Date Incorporated 10/5/72
(MM) (DD) (YY)

State in which Incorporated: Arizona Other _____
(Please Specify)

Company Name H2O, INC

ar Ending 12/31/99

IF INCORPORATED AND ARTICLES OF INCORPORATION HAVE BEEN AMENDED DURING THE REPORT YEAR, PLEASE FILL IN THE FOLLOWING 2 LINES:

DATE AMENDED 4 19 99 PLACE AMENDED: PHOENIX AZ
(MONTH) (DAY) (YEAR) (CITY) (STATE)

REASON: ARTICLE V IS AMENDED TO READ: PERPETUAL

COUNTIES SERVED BY UTILITY COMPANY:

- APACHE
- COCHISE
- COCONINO
- GILA
- GRAHAM
- GREENLEE
- LA PAZ
- MARICOPA
- MOHAVE
- NAVAJO
- PIMA
- PINAL
- SANTA CRUZ
- YAVAPAI
- YUMA
- STATEWIDE

LOCALITIES SERVED (INCORPORATED OR UNINCORPORATED) RURAL - LOW-MEDIUM DENSITY

RANCHETTE RESIDENTIAL AREAS IN UN-INCORPORATED SECTIONS EAST OF QUEEN CREEK
(PLACES, TOWNS OR MUNICIPALITIES)

Management Contact DONALD SCHNEPF 832 W BASELINE RD #18 MESA
 (Name) (Street) (City)
ARIZONA 85210 480/491-6971
 (State) (Zip) (Tel. No. Include Area Code/Ext.)
480/491-6739
 (Fax No. Include Area Code) (Pager No. Include Area Code)

On Site Manager DONALD SCHNEPF 832 W BASELINE RD #18 MESA
 (Name) (Street) (City)
ARIZONA 85210 480/491-6971
 (State) (Zip) (Tel. No. Include Area Code/Ext.)
480/491-6739
 (Fax No. Include Area Code) (Pager No. Include Area Code)

Statutory Agent DAREL W SCHNEPF 832 W BASELINE RD #18 MESA
 (Name) (Street) (City)
ARIZONA 85210 480/491-6971
 (State) (Zip) (Tel. No. Include Area Code/Ext.)

Attorney RICHARD L SALLQUIST 2525 E ARIZONA BILTMORE CIRCLE #117, PHOENIX
 (Name) (Street) (City)
ARIZONA 85016-2129 602/224-9222
 (State) (Zip) (Tel. No. Include Area Code/Ext.)

Company Name H2O, INC

Y Ending 12/31/99

OWNER(S)

SOLE OWNER: NAME, ADDRESS, AND PHONE NUMBER (INCLUDING AREA CODE)
 PARTNERSHIP: EACH PARTNER'S NAME, ADDRESS, PHONE NUMBER (INCLUDE AREA CODE), AND AMOUNT OF EQUITY
 CORPORATION: THREE LARGEST STOCKHOLDERS NAMES, ADDRESSES, PHONE NUMBERS (INCLUDE AREA CODE), AND NUMBER OF SHARES HELD

TYPE (MARK "X")			PHONE NUMBER (INCLUDE AREA CODE)	AMOUNT OF EQUITY OR NUMBER OF SHARES
OWNER	PARTNERSHIP	SHARE HOLDER		
		X	DONALD SCHNEPF, TEMPE AZ	1940
		X	DESERT GROWERS, INC., MESA AZ	970
		X	BRAD SCHNEPF, LAS VEGAS, NV	194
		X	RUSS SCHNEPF, ST LOUIS, MO	194
		X	DEEANN-SCHNEPF-KNIGHT, PHOENIX AZ	194
		X	MATT SCHNEPF, PHOENIX AZ	194
		X	MIKEL J SCHNEPF-HANSON, SALT LAKE CITY, UT	194

DIRECTORS (IF CORPORATION)

NAME AND ADDRESS	PHONE NUMBER (INCLUDING AREA CODE)	TERM EXPIRATION			NUMBER OF SHARES
		MONTH	DATE	YEAR	
DONALD SCHNEPF TEMPE, AZ	480/491-6971				1940
DAREL SCHNEPF SCOTTSDALE, AZ	480/491-6971				

PRINCIPAL OFFICERS (IF CORPORATION)

TYPE (MARK "X")					NAME AND ADDRESS	PHONE NUMBER (INCLUDING AREA CODE)	DATE ENTERING OFFICE		
PRES.	V.P.	SEC.	TREAS.	OTHER			MONTH	DAY	YEAR
X					DONALD SCHNEPF	480/491-6971	10	5	72
		X	X		DAREL SCHNEPF	480/491-6971	10	5	72

BALANCE SHEET

UTILITY TYPE (A = All)										ASSETS		LINE NO.	TOTALS FOR REPORT YEAR (Dollars Only - No Cents)
										UTILITY PLANT			
A											UTILITY PLANT IN SERVICE (= 076)	002	906,142
A											ACCUMULATED DEPRECIATION & AMORTIZATION	003	426,720
A											NET UTILITY PLANT IN SERVICE (002 - 003)	004	479,422
A											OTHER UTILITY PLANT (= 086)	005	-
A											ACCUMULATED DEPRECIATION & AMORTIZATION	006	-
A											NET OTHER UTILITY PLANT (005 - 006)	007	-
A											TOTAL UTILITY PLANT (002 + 005) (= 087)	008	906,142
A											ACCUMULATED DEPRECIATION & AMORTIZATION (003 + 006)	009	426,720
A											NET TOTAL UTILITY PLANT (008 - 009)	010	479,422
OTHER PROPERTY & INVESTMENTS													
									G		GAS STORED UNDERGROUND: NON-CURRENT	011	-
A											NON-UTILITY PROPERTY	012	49,528
A											ACCUMULATED DEPRECIATION & AMORTIZATION	013	48,292
A											NET NON-UTILITY PROPERTY (012 - 013)	014	1,236
	W	S		E	T				G		INVESTMENT IN & ADVANCES TO ASSOCIATED COMPANIES	015	-
A											OTHER INVESTMENTS & SPECIAL FUNDS	016	-
CURRENT & ACCRUED ASSETS													
A											CASH, SPECIAL DEPOSITS & WORKING FUNDS	017	96,025
A											TEMPORARY INVESTMENTS	018	45,765
A											NOTES, ACCOUNTS & OTHER RECEIVABLES	019	34,565
A											ALLOWANCE FOR DOUBTFUL ACCOUNTS	020	-
	W	S		E	T				G		RECEIVABLES FROM ASSOCIATED COMPANIES	021	-
											CASH - REA LOAN FUNDS		-
A											MATERIALS & SUPPLIES	022	6,479
									G		GAS STORED UNDERGROUND - CURRENT	023	-
A											PREPAYMENTS	024	2,136
A											OTHER CURRENT & ACCRUED ASSETS	025	(23,400)
A											TOTAL CURRENT & ACCRUED ASSETS (017 + THRU 025)	026	161,570

BALANCE SHEET (Cont'd.)

UTILITY TYPE (A = All)						ASSETS (Cont'd)		LINE NO.	TOTALS FOR REPORT YEAR (Dollars Only - No Cents)
						DEFERRED DEBITS			
			R			LOANS AVAILABLE FROM REA		027	-
A						UNAMORTIZED DEBT DISCOUNT & EXPENSE		028	
A						EXTRAORDINARY PROPERTY LOSSES		029	
A						PRELIMINARY SURVEY & INVESTIGATION CHARGES		030	
A						OTHER DEFERRED DEBITS		031	
A						TOTAL DEFERRED DEBITS (027 + THRU 031)		032	
A						TOTAL ASSETS (010+011+014+015+016+026+032)(=068)		033	642,228

LIABILITIES & CAPITAL

PROPRIETARY CAPITAL

	W	S		E	T	G	COMMON CAPITAL STOCK	034	38,785
			R				MEMBERSHIPS		
	W	S		E	T	G	REACQUIRED CAPITAL STOCK	035	
			R				PATRONAGE CAPITAL		
	W	S		E	T	G	PREFERRED CAPITAL STOCK	036	
			R				DONATED CAPITAL		
	W	S		E	T	G	OTHER PAID-IN CAPITAL	037	
			R				CONSUMERS' CONTRIBUTION FOR DEBT SERVICE		
	W	S		E	T	G	PREMIUM / DISCOUNT ON CAPITAL STOCK	038	
			R				RETAINED CAPITAL CREDITS		
	W	S		E	T	G	CAPITAL STOCK EXPENSE	039	
			R				CAPITAL GAINS & LOSSES		
	W	S		E	T	G	OTHER CAPITAL ITEMS	040	
			R				OTHER MARGINS & EQUITIES		
	W	S		E	T	G	RETAINED EARNINGS (=125)	041	align="right">(10,767)
			R				OPERATIONS--CLEARING		
	W	S		E	T	G	NON-CORPORATE PROPRIETORSHIP	042	
	W	S		E	T	G	TOTAL PROPRIETARY CAPITAL (034 + THRU 042)	043	
			R				TOTAL EQUITIES & MARGINS (034 + THRU 041)		28,018

LONG TERM DEBT

A							BONDS PAYABLE	044	
	W	S		E	T	G	ADVANCES FROM ASSOCIATED COMPANIES	045	
			R				LONG TERM DEBT---REA		
A							OTHER LONG TERM DEBT	046	32,444
A							TOTAL LONG TERM DEBT (044+045+046)	047	32,444

CURRENT & ACCRUED LIABILITIES

A							NOTES PAYABLE (SHORT TERM DEBT)	048	30,000
A							ACCOUNTS PAYABLE	049	1,251
A							CURRENT PORTION OF LONG TERM DEBT	050	
	W	S		E	T	G	PAYABLES TO ASSOCIATED COMPANIES	051	
	W	S		E	T	G	INTEREST & DIVIDENDS PAYABLE	052	
			R				INTEREST PAYABLE		

BALANCE SHEET (Cont'd.)

UTILITY TYPE (A = All)						LIABILITIES & CAPITAL (Cont'd.)		LINE NO.	TOTALS FOR REPORT YEAR (Dollars Only - No Cents)
						CURRENT & ACCRUED LIABILITIES (Cont'd.)			
	W	S		E	T	G	CUSTOMER DEPOSITS	053	13,946
			R				CONSUMERS' DEPOSITS		
					T		ADVANCE BILLINGS & PAYMENTS	054	
			R				PATRONAGE CAPITAL & PATRONAGE REFUNDS PAYABLE		
A							TAXES ACCRUED	055	17,949
A							INTEREST ACCRUED	056	-
			R				TAX COLLECTIONS PAYABLE	057	
A							OTHER CURRENT & ACCRUED LIABILITIES	058	(403)
A							TOTAL CURRENT & ACCRUED LIABILITIES (048+THRU 058)	059	62,743

DEFERRED CREDITS

	W	S		E	T	G	UNAMORTIZED PREMIUM ON LONG TERM DEBT	060	-
			R				CONSUMERS' ENERGY PREPAYMENTS		
	W	S		E	T	G	CUSTOMER ADVANCES FOR CONSTRUCTION	061	457,214
			R				CONSUMERS' ADVANCES FOR CONSTRUCTION		
	W	S		E	T	G	OPERATING RESERVES	062	
			R				MARGIN RESERVES		
	W	S	R		T	G	CONTRIBUTIONS IN AID OF CONSTRUCTION	063	177,549
	W	S		E	T	G	ACCUMULATED DEFERRED INCOME TAXES	064	
	W	S		E	T	G	ACCUMULATED DEFERRED INVESTMENT TAX CREDIT	065	
A							OTHER DEFERRED CREDITS	066	(115,741)
A							TOTAL DEFERRED CREDITS (060+THRU 066)	067	519,022
A							TOTAL LIABILITIES & CAPITAL (043+047+059+067)(=33)	068	642,227

SUPPLEMENTARY UTILITY PLANT INFORMATION

UTILITY PLANT

UTILITY PLANT IN SERVICE

	W	S	R	E		G	INTANGIBLE PLANT	069	960
			R	E		G	PRODUCTION PLANT	070	37,018
W							SOURCE OF SUPPLY PLANT		
						G	STORAGE PLANT	071	66,249
W							PUMPING PLANT		
			R	E		G	TRANSMISSION PLANT	072	3,049
W							WATER TREATMENT PLANT		
		S					SEWER TREATMENT PLANT		
			R	E		G	DISTRIBUTION PLANT	073	704,495
W							WATER TRANSMISSION & DISTRIBUTION PLANT		
		S					SEWER COLLECTION SYSTEM		
	W	S	R	E		G	GENERAL PLANT	074	57,695
	W		R	E		G	OTHER TANGIBLE PLANT	075	31,676
	W	S	R	E		G	TOTAL UTILITY PLANT IN SERVICE (069 + THRU 075) (=002)	076	906,142
					T		TELEPHONE PLANT IN SERVICE (=002)		

SUPPLEMENTARY UTILITY PLANT INFORMATION (cont'd)

UTILITY TYPE (A = All)							UTILITY PLANT (Cont'd)	LINE NO.	TOTALS FOR REPORT YEAR (Dollars Only - No Cents)
							OTHER UTILITY PLANT		
A							PLANT PURCHASED	077	
A							PLANT SOLD	078	
A							PLANT IN PROCESS OF RECLASSIFICATION	079	
A							PLANT LEASED TO OTHERS	080	
A							PLANT HELD FOR FUTURE USE	081	
	W	S	R	E		G	CONSTRUCTION WORK IN PROGRESS	082	
					T		PLANT UNDER CONSTRUCTION		
A							PLANT ACQUISITION ADJUSTMENTS	083	
A							OTHER PLANT ADJUSTMENTS	084	
A							OTHER PLANT	085	
A							TOTAL OTHER UTILITY PLANT (077 + THRU 085)(=005)	086	
A							TOTAL UTILITY PLANT (076 + 086) (=008)	087	906,142

STATEMENT OF NET INCOME & RETAINED EARNINGS

A							OPERATING REVENUES (=147)	088	408,515
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OPERATING EXPENSES

	W	S	R	E		G	OPERATION EXPENSE (=156)	089	
					T		RENT OR LEASE OF OPERATING PROPERTY		
A							MAINTENANCE EXPENSE (=162)	090	116,279
A							DEPRECIATION EXPENSE	091	22,205
A							AMORTIZATION EXPENSE	092	-
					T		TRAFFIC EXPENSE	093	-
					T		COMMERCIAL EXPENSE	094	-
					T		GENERAL OFFICE SALARIES & EXPENSE	095	-
A							PROPERTY TAXES	096	22,483
	W	S		E	T	G	INCOME TAX	097	50
A							TAXES OTHER THAN PROPERTY & INCOME	098	-
	W	S		E	T	G	PROVISION FOR DEFERRED INCOME TAXES	099	-
	W	S		E	T	G	INCOME TAXES DEFERRED IN PRIOR YEARS	100	-
	W	S		E	T	G	INVESTMENT TAX CREDIT ADJUSTMENTS	101	-
A							OTHER OPERATING EXPENSES	102	-
A							TOTAL OPERATING EXPENSES (089 + THRU 102)	103	390,459

STATEMENT OF NET INCOME & RETAINED EARNINGS (Cont'd.)

UTILITY TYPE (A = ALL)						INCOME BEFORE INTEREST DEDUCTIONS & EXTRAORDINARY ITEMS	LINE NO	TOTALS FOR REPORT YEAR (Dollars only - no cents)	
	W	S		E	T	G	NET OPERATING REVENUES (088 - 103)	104	
			R				NET OPERATING MARGIN (088 - 103)		18,056
A							INCOME FROM UTILITY PLANT LEASED TO OTHERS	105	-
A							OTHER UTILITY OPERATING INCOME	106	-
	W	S		E	T	G	TOTAL UTILITY OPERATING INCOME (104 + 105 + 106)	107	18,056
			R				TOTAL UTILITY OPERATING MARGIN (104 + 105 + 106)		
A							OTHER INCOME	108	-
				E		G	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	109	-
A							OTHER DEDUCTIONS	110	-
	W	S		E	T	G	NET INCOME BEFORE INTEREST DEDUCTIONS & EXTRAORDINARY ITEMS (107 + 108 + 109 - 110)		
			R				NET MARGIN BEFORE INTEREST DEDUCTIONS & ADJUSTMENTS (107 + 108 + 109 - 110)	111	18,056
INTEREST DEDUCTIONS									
A							INTEREST ON LONG TERM DEBT	112	-
	W	S		E	T	G	DEBT PREMIUM / DISCOUNT EXPENSE		
			R				AMORTIZATION OF LOAN EXPENSE	113	-
A							OTHER INTEREST DEDUCTIONS	114	6,888
A							TOTAL INTEREST DEDUCTIONS (112 + 113 + 114)	115	6,888
NET INCOME									
	W	S		E	T	G	NET INCOME BEFORE EXTRAORDINARY ITEMS (111 - 115)		
			R				NET MARGIN BEFORE ADJUSTMENTS (111 - 115)	116	24,944
	W	S		E	T	G	EXTRAORDINARY ITEMS		
			R				MISCELLANEOUS CREDITS TO MARGINS/ EQUITIES	117	81,455
			R				MISCELLANEOUS DEBITS TO MARGINS/ EQUITIES	118	-
	W	S		E	T	G	NET INCOME (116 + 117)		
			R				NET MARGIN (116 + 117 - 118)	119	106,399
RETAINED EARNINGS									
	W	S		E	T	G	RETAINED EARNINGS - BEGINNING		
			R				PATRONAGE CAPITAL	120	(102,877)
	W	S		E	T	G	OTHER ADDITIONS		
			R				CONSUMERS' CONTRIBUTIONS FOR DEBT SERVICE	121	
	W	S		E	T	G	LESS--PREFERRED STOCK DIVIDENDS		
			R				OPERATING MARGINS	122	-
	W	S		E	T	G	LESS--COMMON STOCK DIVIDENDS		
			R				NON-OPERATING MARGINS	123	-
	W	S		E	T	G	OTHER DEDUCTIONS	124	
			R				OTHER DEDUCTIONS OF NET MARGIN		92,110
	W	S		E	T	G	RETAINED EARNINGS--ENDING (119 + 120 + 121 - 122 - 123 - 124) (=041)	125	(10,767)
	W	S		E	T	G	EARNINGS PER COMMON SHARE	126	
	W	S		E	T	G	DIVIDENDS PER COMMON SHARE	127	
	W	S		E	T	G	DIVIDENDS PER PREFERRED SHARE	128	

STATEMENT OF NET INCOME & RETAINED EARNINGS (Cont'd.)

UTILITY TYPE (A = ALL)						OPERATING REVENUES	LINE NO	TOTALS FOR REPORT YEAR (Dollars only - no cents)
		S	R	E	G	RESIDENTIAL SALES		-
W						RESIDENTIAL SALES--UNMETERED		
				T		LOCAL EXCHANGE REVENUES	129	
		S	R	E	G	COMMERCIAL SALES		
W						COMMERCIAL SALES--UNMETERED		
				T		PUBLIC TELEPHONE REVENUES	130	-
		S	R	E	G	INDUSTRIAL SALES		
W						INDUSTRIAL SALES--UNMETERED		-
				T		VERTICAL SERVICE REVENUES	131	
W						TOTAL UNMETERED SALES (129+130+131)		
				T		LOCAL PRIVATE LINE SERVICE REVENUES	132	-
W						RESIDENTIAL SALES--METERED		
				T		OTHER LOCAL SERVICE REVENUES	133	345,026
W						COMMERCIAL SALES--METERED		
				T		TOTAL LOCAL SERVICE REVENUES (29+THRU 133)	134	34,323
W						INDUSTRIAL SALES--METERED		
				T		MESSAGE TOLLS	135	12,144
W						TOTAL METERED SALES (133+134+135)		
				T		WIDE AREA TOLL SERVICE	136	391,493
W						PRIVATE FIRE PROTECTION SERVICE		
				T		TOLL PRIVATE LINE SERVICES	137	-
		R	E			PUBLIC STREET & HIGHWAY LIGHTING		
W						PUBLIC FIRE PROTECTION SERVICE		
				T		OTHER TOLL SERVICE REVENUES	138	-
W		R	E			OTHER SALES TO PUBLIC AUTHORITIES		
		S			G	SALES TO PUBLIC AUTHORITIES		
				T		TOTAL TOLL SERVICE REVENUES (135 + THRU 138)	139	-
W		R	E		G	IRRIGATION SALES		
				T		TELEGRAPH COMMISSIONS	140	3,548
W	S	R	E		G	INTER-DEPARTMENTAL SALES		
				T		DIRECTORY ADVERTISING & SALES	141	-
W	S	R	E		G	OTHER SALES		
				T		RENT REVENUES	142	-
W		R	E		G	TOTAL SALES TO ULTIMATE CUSTOMERS (FOR W: 132 + 136 + THRU 142) (FOR R, E, G: 129 + THRU 131 + 133 + THRU 142)		
				T		REVENUE FROM GENERAL SERVICE & LICENSES	143	395,041
W		R	E		G	SALES FOR RESALE		
				T		OTHER MISCELLANEOUS REVENUES	144	-
W	S	R	E		G	TOTAL SALES (FOR W, R, E, G: 143 + 144) (FOR S: 129 + THRU 131 + 133 + THRU 142)		
				T		TOTAL MISCELLANEOUS REVENUES (140 + THRU 144)	145	395,041
W	S	R	E		G	OTHER OPERATING REVENUES		
				T		UNCOLLECTIBLE OPERATING REVENUES	146	13,474
A						TOTAL OPERATING REVENUES (FOR W, S, R, E, G: 145 + 146)(=088) (FOR T: 134 + 139 + 145 - 146)(=088)	147	408,515

STATEMENT OF RETAINED EARNINGS & NET INCOME (Cont'd)

UTILITY TYPE (A = All)						OPERATIONS EXPENSES	LINE NO.	TOTALS FOR REPORT YEAR (Dollars Only - No Cents)
		R	E		G	PRODUCTION EXPENSES		-
W						SOURCE OF SUPPLY EXPENSES	148	
		R	E			PURCHASED POWER		
					G	GAS PURCHASES CHARGES		
W						PURCHASED WATER	149	3,552
					G	STORAGE EXPENSES		
W	S					PUMPING EXPENSES	150	40,453
		R	E		G	TRANSMISSION EXPENSES		
W						WATER TREATMENT EXPENSES		
	S					SEWER TREATMENT EXPENSES	151	7,358
		R	E		G	DISTRIBUTION EXPENSES		
W						TRANSMISSION AND DISTRIBUTION EXPENSES	152	-
W	S	R	E		G	CUSTOMER ACCOUNTS EXPENSES	153	60,090
W		R	E		G	SALES EXPENSES	154	-
W	S	R	E		G	ADMINISTRATIVE & GENERAL EXPENSES	155	117,989
W	S	R	E		G	TOTAL OPERATION EXPENSES (148 + Thru 155) =089)	156	229,442
MAINTENANCE EXPENSES								
		R	E		G	PRODUCTION EXPENSES		
W						SOURCE OF SUPPLY EXPENSES		
	S					MAINTENANCE OF BUILDINGS & GROUNDS	157	-
					G	STORAGE EXPENSES		
W						PUMPING EXPENSES		
	S					MAINTENANCE OF TREATMENT PLANT EQUIPMENT	158	821
		R	E		G	TRANSMISSION EXPENSES		
W						WATER TREATMENT EXPENSES		
	S					MAINTENANCE OF SEWER COLLECTION SYSTEM	159	-
		R	E		G	DISTRIBUTION EXPENSES		
W						TRANSMISSION & DISTRIBUTION EXPENSES	160	10,916
W		R	E		G	ADMINISTRATIVE & GENERAL EXPENSES	161	104,542
W	S	R	E		G	TOTAL MAINTENANCE EXPENSES (157 + Thru 161) =90)	162	116,279
UTILITY TYPE (A = ALL)						STATISTICAL INFORMATION		TOTALS FOR REPORT YEAR (YEAR END)
						YEAR END NUMBER OF CUSTOMERS		LINE NO.
		S	R	E	T	G	RESIDENTIAL CUSTOMERS	
W							RESIDENTIAL CUSTOMERS--UNMETERED	163
		S	R	E		G	COMMERCIAL CUSTOMERS	
W							COMMERCIAL CUSTOMERS--UNMETERED	164
						T	BUSINESS CUSTOMERS	
		S	R	E		G	INDUSTRIAL CUSTOMERS	
W							INDUSTRIAL CUSTOMERS--UNMETERED	165
						T	OTHER CUSTOMERS	
W							TOTAL UNMETERED CUSTOMERS (163 + 164 + 165)	166
						T	TOTAL CUSTOMERS (163 + 164 + 165)	166
W							RESIDENTIAL CUSTOMERS -METERED	167
						T	AVG. LOCAL CALLS PER TELEPHONE (ANNUAL)	621
W							COMMERCIAL CUSTOMERS--METERED	168
						T	AVG. INTRASTATE TOLL CALLS PER TELEPHONE (ANNUAL)	56
W							INDUSTRIAL CUSTOMERS--METERED	169
						T	AVG. INTERSTATE TOLL CALLS PER TELEPHONE (ANNUAL)	3
W							TOTAL METERED CUSTOMERS (167 + 168 + 169)	170
						T	PRIVATE BRANCH EXCHANGE TELEPHONES	680

UTILITY TYPE (A = All)						STATISTICAL INFORMATION (Cont'd)		LINE NO.	TOTALS FOR REPORT YEAR (YEAR END)
						YEAR END NUMBER OF CUSTOMERS (Cont'd)			
W						PRIVATE FIRE PROTECTION CUSTOMERS		171	-
				T		BUSINESS ACCESS LINES --1 PARTY			
		R	E			PUBLIC STREET AND HIGHWAY CUSTOMERS		172	-
W						PUBLIC FIRE PROTECTION CUSTOMERS			
				T		BUSINESS ACCESS LINES --2 PARTY			
W		R	E			OTHER PUBLIC AUTHORITIES		173	1
	S				G	PUBLIC AUTHORITIES			
				T		BUSINESS ACCESS LINES --4 PARTY			
W		R	E		G	IRRIGATION CUSTOMERS		174	-
				T		BUSINESS ACCESS LINES --MULTI PARTY (5 OR MORE)			
W	S	R	E		G	INTERDEPARTMENTAL CUSTOMERS		175	
				T		BUSINESS ACCESS LINES --PAY STATIONS			
W	S	R	E		G	OTHER CUSTOMERS		176	-
				T		BUSINESS ACCESS LINES --MOBILE TELEPHONES			
W	S	R	E		G	TOTAL ULTIMATE CUSTOMERS (W: 166 + 170 + THRU 176) (R. E. G.: 163 + thru 165 + 172 + thru 176)		177	681
				T		TOTAL BUSINESS ACCESS LINES (171 + thru 176)			
W		R	E		G	RESALE CUSTOMERS		178	-
				T		RESIDENTIAL ACCESS LINES --1 PARTY			
				T		RESIDENTIAL ACCESS LINES --2 PARTY		179	-
				T		RESIDENTIAL ACCESS LINES --4 PARTY		180	-
				T		RESIDENTIAL ACCESS LINES --MULTI-PARTY (5 or more)		181	-
W	S	R	E		G	TOTAL CUSTOMERS (W, R, E, G: 177 + 178) (S: 163 + 164 + 165 + 173 + thru 176)		182	681
				T		TOTAL RESIDENTIAL ACCESS LINES (178 + thru 181)			
				T		TOTAL BUSINESS AND RESIDENTIAL ACCESS LINES (177 + 182)		183	-

QUANTITY SOLD -- OTHER STATISTICS

TOTALS FOR REPORT YEAR

		R	E		G	QUANTITY SOLD--RESIDENTIAL (R/E: KILOWATT HOURS--G: THERMS)	184	-
				T		RESIDENTIAL EXTENSIONS		
		R	E		G	QUANTITY SOLD--COMMERCIAL (R/E: KILOWATT HOURS--G: THERMS)	185	-
W						QUANTITY SOLD--COMMERCIAL--UNMETERED (GALS--THOUSANDS)		
				T		BUSINESS EXTENSIONS	186	-
		R	E		G	QUANTITY SOLD--INDUSTRIAL (R/E: KILOWATT HOURS--G: THERMS)	187	-
W						QUANTITY SOLD--INDUSTRIAL--UNMETERED (GALLONS--THOUSANDS)		
W						QUANTITY SOLD--TOTAL--UNMETERED (GALLONS--THOUSANDS) (184 + 185 + 186)	188	120,394
				T		TOTAL EXTENSIONS (184 + 185)		
W						QUANTITY SOLD--RESIDENTIAL--METERED (GALLONS--THOUSANDS)	189	12,054
W						QUANTITY SOLD--COMMERCIAL--METERED (GALLONS--THOUSANDS)	190	3,741
W						QUANTITY SOLD--INDUSTRIAL--METERED (GALLONS--THOUSANDS)	191	136,189
				T		QUANTITY SOLD--TOTAL--METERED (GALLONS--THOUSANDS) (188 + 189 + 190)		
				T		TOTAL STATIONS IN SERVICE (183 + 187)		

UTILITY TYPE (A = ALL)		STATISTICAL INFORMATION (Cont'd.)					LINE NO.	TOTALS FOR REPORT YEAR
		QUANTITY SOLD--OTHER STATISTICS (Cents)						
W						QUANTITY SOLD--PRIVATE FIRE PROTECTION SERVICE (GALLONS--THOUSANDS)	192	-
				T		CENTRAL OFFICES		
		R	E			QUANTITY SOLD--PUBLIC STREET AND HIGHWAY LIGHTING (KILOWATT HOURS)	193	-
W						QUANTITY SOLD--PUBLIC FIRE PROTECTION SERVICE (GALLONS--THOUSANDS)		
				T		ROUTE MILES OF LINE & CABLE	194	-
W		R	E			QUANTITY SOLD--OTHER SALES TO PUBLIC AUTHORITIES (W: GALLONS--THOUSANDS) (R, E: KILOWATT HOURS)	194	-
					G	QUANTITY SOLD--SALES TO PUBLIC AUTHORITIES (THERMS)		
				T		AVG. RESIDENTIAL MONTHLY BILL (DOLLARS & CENTS)	195	-
W		R	E		G	QUANTITY SOLD--IRRIGATION (W: GALLONS--THOUSANDS) (R, E: KILOWATT HOURS) (G: THERMS)	196	-
				T		GROSS PLANT INVESTMENT PER CUSTOMER (DOLLARS & CENTS) (76 + 166)		
W		R	E		G	QUANTITY SOLD--INTERDEPARTMENTAL (W: GALLONS--THOUSANDS) (R, E: KILOWATT HOURS) (G: THERMS)	197	-
W		R	E		G	QUANTITY SOLD--OTHER (W: GALLONS--THOUSANDS) (R, E: KILOWATT HOURS) (G: THERMS)	198	-
W		R	E		G	QUANTITY SOLD--TOTAL SALES TO ULTIMATE CUSTOMERS (W: GALLONS--THOUSANDS) (187 + 191 + thru 197) (R, E: KILOWATT HOURS) (184 + 185 + 186 + 193 thru 197) (G: THERMS) (184 + 185 + 186 + 193 thru 197)	198	136,189
W		R	E		G	QUANTITY SOLD--SALES FOR RESALE (W: GALLONS--THOUSANDS) (R, E: KILOWATT HOURS) (G: THERMS)	199	-
W		R	E		G	QUANTITY SOLD--TOTAL (198 + 199) (W: GALLONS--THOUSANDS) (R, E: KILOWATT HOURS) (G: THERMS)	200	136,189
A						TOTAL NUMBER OF EMPLOYEES	201	4
A						ANNUAL PAYROLL CHARGED TO OPERATIONS (Dollars only--No Cents)	202	61,019
A						ANNUAL PAYROLL CHARGED TO OTHER THAN OPERATIONS (Dollars Only - No Cents)	203	61,019
A						TOTAL ANNUAL PAYROLL (202 + 203) (Dollars only-No Cents)	204	122,038

DO NOT FILL IN SPACES BELOW--FOR CORPORATION COMMISSION USE ONLY

ANNUAL REPORT TYPE CODE (L = LONG, S = SHORT, X = OTHER)	210			
DATE ANNUAL REPORT RECEIVED BY UTILITIES DIVISION	212	Mo.	Day	Yr.
INCOMPLETE DATA CODE (I = INCOMPLETE, BLANK = COMPLETE)	213			
NARUC DATA CODE (N = NARUC DATA, BLANK = NOT NARUC DATA)	214			

ALL UTILITIES

TAXES CHARGED	
DESCRIPTION	AMOUNT (\$ ONLY)
ARIZONA STATE SALES	20,167
COUNTY SALES	2,018
EXCISE	2,018
SUPERFUND	885
TOTAL TAXES CHARGED	25,088

REGULATORY EXPENSES	
DESCRIPTION	AMOUNT (\$ ONLY)
A.C.C.	841
R.U.C.O.	90
DWR ANNUAL WATER WITHDRAWAL	1,090
TOTAL REGULATORY EXPENSES	2,021

CAPITAL STOCK						
CLASSIFICATION	NUMBER OF SHARES		PAR VALUE OF SHARES	TOTAL PAR VALUE AUTHORIZED	TOTAL AMOUNT OUTSTANDING	DIVIDENDS DECLARED DURING YEAR
	AUTHORIZED	ISSUED				
COMMON	1,000,000	38,785	N/A	N/A	38,785	0
TOTALS						

ALL UTILITIES

LONG - TERM DEBT

NATURE OF OBLIGATION	DATE ISSUED	TOTAL AMOUNT (DOLLARS ONLY)			DATE OF MATURITY	INTEREST	
		AUTHORIZED	ISSUED	OUTSTANDING		RATE	AMOUNT FOR CURRENT YEAR
WELL #3 BACK UP	1/85	40,000	40,000	32,444		9.0	0
COLUMN TOTALS		40,000	40,000	32,444			0

RESERVE FOR DEPRECIATION

BALANCE BEGINNING OF YEAR	+ AMOUNT CHARGED FOR DEPRECIATIO	+ TOTAL OTHER CREDITS LISTED BELOW *	BOOK COST OF PLANT RETIRED	COST OF PLANT REMOVAL	TOTAL OTHER DEBITS LISTED BELOW**	= BALANCE AT END OF YEAR
DETAIL OF OTHER DEBITS AND CREDITS TO RESERVE FOR DEPRECIATION DURING THE YEAR						
DESCRIPTION				CREDIT AMOUNT	DEBIT AMOUNT	
TOTAL OF OTHER CREDITS AND DEBITS TO RESERVE FOR DEPRECIATION				*	**	

ALL UTILITIES

REPAYMENT OF DEBT AND ADVANCES IN AID OF CONSTRUCTION DURING REPORT YEAR:

Principal Repayments:

Long-Term Debt: \$ -0-

Short-Term Debt: \$ 28,000

Repayment of Advances
in Aid of Construction: \$ 15,916

GAS UTILITIES

TRANSPORTATION OF NATURAL GAS FOR OTHERS * - ARIZONA TRANSPORTATION CUSTOMERS ONLY (I.E., GAS TRANSPORTED, NOT SOLD) - GRAND TOTALS:

Number of Arizona transportation customers:

Quantity of transported gas for customers
located in Arizona - therms received:

Quantity of transported gas for customers
located in Arizona - therms delivered:

Revenue from transportation of gas for
others, Arizona transportation
customers only: \$ **

* Sometimes called Transportation of Customer-Secured Natural Gas

** Revenue amount reported here also needs to be included in the income
statement elsewhere in this report.

WATER COMPANY PLANT DESCRIPTION

ADEQ System No.(s) 11-060

WELLS					
ADWR ID NO.	PUMP HORSEPOWER	PUMP YIELD (GPM)	CASING SIZE (INCHES)	WELL DEPTH (FEET)	METER SIZE (INCHES)
55- 605835	200	1085	20"/16"	600'/1200'	6"
55- 605837	200	650	16"/14"	800'/1000'	8"
55- 605834	N/A	N/A	16"	1200'	N/A
55- 605836	N/A	N/A	20"/16"	600'/1200'	N/A
55-					
55-					

OTHER WATER SOURCES		
NAME OR DESCRIPTION	CAPACITY (GPM)	GALLONS PURCHASED OR OBTAINED (THOUSANDS)
QUEEN CREEK WATER COMPANY		496

TOTAL GALLONS PUMPED (NOT SOLD) THIS YEAR (THOUS.) = 150,099

DESCRIBE ANY NEW CONSTRUCTION, EXTENSION OF SYSTEM OR ACQUISITION MADE DURING REPORTING YEAR: CLOUD CREEK RANCH = 17 1-1/3 ACRE LOT SUBDIVISION; VINWOOD ESTATES PHASE 2 & 3 - 30 LOTS COMPLETE; GOLF VIEW PHASE 2 & 3 COMPLETE 50 LOTS; LINK ESTATES PHASE 2 - BEGAN 78 LOTS

BOOSTER PUMPS		STORAGE TANKS		PRESSURE TANKS	
HORSEPOWER	QUANTITY	CAPACITY	QUANTITY	CAPACITY	QUANTITY
15	4	200,000	1	5,000	1

TREATMENT EQUIPMENT (SEDIMENTATION, FILTRATION, DISINFECTION, ETC.):
1- CAPITOL CONTROL GAS INJECTOR CHLORINATOR

SEWER COMPANY PLANT DESCRIPTION

ADEQ System No.(s) _____

TREATMENT FACILITY	
TYPE OF TREATMENT (EXTENDED AERATION, STEP AERATION, OXIDATION DITCH, AEROBIC LAGOON, ANAEROBIC LAGOON, TRICKLING FILTER, SEPTIC TANK, ETC.)	
DESIGN CAPACITY OF PLANT (GALLONS PER DAY)	

LIFT STATION FACILITIES				
LOCATION	QUANTITY OF PUMPS (HOW MANY)	HORSEPOWER PER PUMP	CAPACITY PER PUMP (GPM)	WET WELL CAPACITY (GALLONS)

COLLECTION MAINS		
SIZE	MATERIAL	LENGTH (FEET)
4"		
6"		
8"		
10"		
12"		
15"		
18"		
21"		
24"		
30"		

MANHOLES	
TYPE	QUANTITY (HOW MANY)
STANDARD	
DROP	

CLEANOUTS
QUANTITY (HOW MANY)

FORCE MAINS		
SIZE	MATERIAL	LENGTH (FEET)
4"		
6"		

**SEWER COMPANY PLANT DESCRIPTION
(CONTINUED)**

SERVICES		
SIZE	MATERIAL	QUANTITY (HOW MANY)
4"		
6"		
8"		
12"		
15"		

DISINFECTION EQUIPMENT (CHLORINATOR, ULTRA-VIOLET, ETC.):

FILTRATION EQUIPMENT (RAPID SAND, SLOW SAND, ACTIVATED CARBON, ETC.):

STRUCTURES (BUILDINGS, FENCES, ETC.):

OTHER (LABORATORY EQUIPMENT, TOOLS, VEHICLES, STANDBY POWER GENERATORS, ETC.):

VERIFICATION AND SWORN STATEMENT

VERIFICATION

STATE OF AZ

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) SS	
MARICOPA	
NAME (OWNER OR OFFICIAL) DONALD L SCHNEPF	TITLE PRESIDENT
COMPANY NAME H2O, INC.,	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH 12	DAY 31	YEAR 99
-------------	-----------	------------

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING

CALENDAR YEAR

1999

WAS

ARIZONA INTRASTATE GROSS OPERATING REVENUE (\$ ONLY)**
 433,604

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 25,089 IN SALES TAX MONIES BILLED OR COLLECTED.)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAX MONIES BILLED OR COLLECTED. IF FOR ANY OTHER REASON REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUE ELSEWHERE REPORTED IN THIS REPORT, PLEASE ATTACH A STATEMENT RECONCILING AND EXPLAINING THE DIFFERENCE.

Donald L Schnepf

SIGNATURE OF OWNER OR OFFICIAL

480-491-6971

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

10

DAY OF

NOTARY PUBLIC NAME	Julie A Smith	
COUNTY NAME	Maricopa	
MONTH	May 10	YEAR 2000

SIGNATURE OF NOTARY PUBLIC



MONTH 5	DAY 10	YEAR 2000
------------	-----------	--------------

VERIFICATION AND SWORN STATEMENT RESIDENTIAL REVENUE

VERIFICATION STATE OF ARIZONA

I, THE UNDERSIGNED OF THE

Form with fields: COUNTY OF (COUNTY NAME) MARICOPA, NAME (OWNER OR OFFICIAL) DONALD L SCHNEPF, TITLE PRESIDENT, COMPANY NAME

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

Form with fields: MONTH 12, DAY 31, YEAR 99

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

DID YOU PROVIDE RESIDENTIAL SERVICES? YES NO

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE OPERATIONS DURING

DURING CALENDAR YEAR 1999 WAS 365,544 (\$ ONLY) *

*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAX MONIES BILLED OR COLLECTED.

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 21,419 IN SALES TAX MONIES BILLED OR COLLECTED.)

X [Signature] SIGNATURE OF OWNER OR OFFICIAL

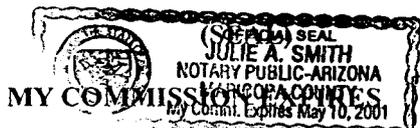
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 10 DAY OF

Form with fields: NOTARY PUBLIC NAME Julie A Smith, COUNTY NAME Maricopa, MONTH May, YEAR 2000

X [Signature] SIGNATURE OF NOTARY PUBLIC



Form with fields: MONTH 5, DAY 10, YEAR 2001

COMPANY NAME _____

YEAR ENDING 12/31/99

**ALL UTILITIES
INCOME TAXES**

For the fiscal year reported in this annual report, provide the following:

Federal Taxable Income Reported	0
Estimated or Actual Federal Tax Liability	0

State Taxable Income Reported	0
Estimated or Actual State Tax Liability	50

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	115,741
Amount of Gross-Up Tax Collected	0
Total Grossed-Up Contributions/Advances	115,741

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification should be signed by the President or Chief Executive Officer of the Utility, or by the Owner, if the Utility is not a corporation.

SIGNATURE

DATE

PRINTED NAME

TITLE

APPENDIX A

COMPANY NAME H2O, INC YEAR ENDING 12/31/99

**WATER AND SEWER
UTILITIES ONLY**

PROPERTY TAXES

Amount of actual property taxes paid during
Calendar year 19,888

***Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

***If no property taxes paid, explain why. _____

	<u>AMOUNT</u>	<u>DATE</u>
SECOND HALF 1998 P.C.	9,213.35	4/29/99
FIRST HALF 1999 P.C.	10,042.71	11/03/99
FIRST HALF 1999 PP M.C.	<u>632.10</u>	10/30/99
TOTAL	19,888.16	

APPENDIX B

PINAL COUNTY TREASURER TAX RECEIPT

Pg: 1

Paid by: H2O INC
 PO BOX 40340
 MESA, AZ 85274

CNTR BATCH: 1864013
 Payment Date: 5/07/1999 ✓
 Interest Date: 4/29/1999
 Printed by: TRSDJD

	Description	Amount	Balance Due	--- If paid by
104-46-061B5	1998 TAXES	37.01		
	TOTL	37.01	*	
	TOTL	37.01	*	
	QUEEN CREEK RANCHOS: TRACT 3 .18 AC			
104-46-077C5	1998 TAXES	55.91		
	TOTL	55.91	*	
	TOTL	55.91	*	
	QUEEN CREEK RANCHOS: TRACT 9 .52 AC			
908-44-40404	1998 TAXES	9,120.43		
	TOTL	9,120.43	*	
	STATE ASSESSED PROPERTY 104-26-139, 104-46-095B			
	TOTAL PAID	9,213.35		

9,120.43

9084440404

908 44 40404 44040
PARCEL AREA CODE
PLEASE PRINT THESE NUMBERS
ON YOUR REMITTANCE CHECK

2ND HALF TAXES

9,120.43

**YOUR 1998 2ND HALF YEAR
TAX PAYMENT COUPON**

PLEASE RETURN THIS COUPON WITH YOUR
SECOND HALF PAYMENT DUE BY MAY 3, 1999

TO REMIT FULL YEAR TAXES
PLEASE RETURN FULL YEAR COUPON

If Permanent address change is required please complete the form on the reverse side of your coupons. You need to fill out only one coupon. Form is printed on both in case an address change is required after 1st half has been paid and before 2nd half. Please use return label when mailing a payment.

RECEIPTS WILL BE RETURNED TO YOU.
NO PERSONAL FOREIGN CHECKS OR FOREIGN CURRENCY ACCEPTED.
USE CASHIER'S CHECKS ISSUED BY FOREIGN BANKS PAYABLE IN U.S. CURRENCY OR U.S. CHECKS OR U.S. CURRENCY ONLY.

JIM L. TURNBULL, PINAL COUNTY TREASURER
PINAL COUNTY TREASURER'S OFFICE
P.O. BOX 729
FLORENCE, ARIZONA 85232-0729

55.91

10446077C5

104 46 077C5 44040
PARCEL AREA CODE
PLEASE PRINT THESE NUMBERS
ON YOUR REMITTANCE CHECK

2ND HALF TAXES

55.91

**YOUR 1998 2ND HALF YEAR
TAX PAYMENT COUPON**

PLEASE RETURN THIS COUPON WITH YOUR
SECOND HALF PAYMENT DUE BY MAY 3, 1999

TO REMIT FULL YEAR TAXES
PLEASE RETURN FULL YEAR COUPON

If Permanent address change is required please complete the form on the reverse side of your coupons. You need to fill out only one coupon. Form is printed on both in case an address change is required after 1st half has been paid and before 2nd half. Please use return label when mailing a payment.

RECEIPTS WILL BE RETURNED TO YOU.
NO PERSONAL FOREIGN CHECKS OR FOREIGN CURRENCY ACCEPTED.
USE CASHIER'S CHECKS ISSUED BY FOREIGN BANKS PAYABLE IN U.S. CURRENCY OR U.S. CHECKS OR U.S. CURRENCY ONLY.

JIM L. TURNBULL, PINAL COUNTY TREASURER
PINAL COUNTY TREASURER'S OFFICE
P.O. BOX 729
FLORENCE, ARIZONA 85232-0729

H2O, INC.
P.O. BOX 40340
Mesa, AZ 85274
(480)491-6971

*Pay to the
Order of*

PINAL COUNTY TREASURER

NINE THOUSAND TWO HUNDRED THIRTEEN AND 35/100



National Bank
OF ARIZONA
Treasurer Office
4400 E. Southern, Tempe, Arizona 85282

Jan 2nd 1998 P. Tax

Quinn

11

37.01

10446061B5

104 46 061B5 44040
PARCEL AREA CODE
PLEASE PRINT THESE NUMBERS
ON YOUR REMITTANCE CHECK

2ND HALF TAXES

37.01

**YOUR 1998 2ND HALF YEAR
TAX PAYMENT COUPON**

PLEASE RETURN THIS COUPON WITH YOUR
SECOND HALF PAYMENT DUE BY MAY 3, 1999

TO REMIT FULL YEAR TAXES
PLEASE RETURN FULL YEAR COUPON

If Permanent address change is required please complete the form on the reverse side of your coupons. You need to fill out only one coupon. Form is printed on both in case an address change is required after 1st half has been paid and before 2nd half. Please use return label when mailing a payment.

RECEIPTS WILL BE RETURNED TO YOU.
NO PERSONAL FOREIGN CHECKS OR FOREIGN CURRENCY ACCEPTED.
USE CASHIER'S CHECKS ISSUED BY FOREIGN BANKS PAYABLE IN U.S. CURRENCY OR U.S. CHECKS OR U.S. CURRENCY ONLY.

104-46-061B 37.01
104-46-077C 55.91
908-44-44040 \$9,120.43

APRIL 28 1999

\$ 9,213.35**

Dollar

MONEY MARKET PREMIUM ACCOUNT

Quinn

11

PINAL COUNTY TREASURER TAX RECEIPT

Pg: 1

Paid by: H20 INC
 PO BOX 40340
 MESA, AZ 85274

IMPO BATCH: 1884416
 Payment Date: 11/03/1999
 Interest Date: 11/01/1999
 Printed by: TRSJGA

	Description	Amount	Balance Due	--- If paid by
104-46-061B5	1999 TAXES	37.81		
	TOTL	37.81 *	37.81	BY 05/01/2000
	QUEEN CREEK RANCHOS: TRACT 3 .18 AC			
104-46-077C5	1999 TAXES	57.23		
	TOTL	57.23 *	57.23	BY 05/01/2000
	QUEEN CREEK RANCHOS: TRACT 9 .52 AC			
104-46-095C3	1999 TAXES	890.54		
	TOTL	890.54 *	890.54	BY 05/01/2000
	E-1383.55' OF TRACT 6 LESS TR 8 OF QUEEN CREEK RANCHOS SEC 16-2S-8E 10.36 AC + OR -			
104-47-038B3	1999 TAXES	26.03		
	TOTL	26.03 *	26.03	BY 05/01/2000
	QUEEN CREEK RANCHOS: TRACT 2-A .23 AC			
908-44-40404	1999 TAXES	9,031.10		
	TOTL	9,031.10 *	9,031.10	BY 05/01/2000
	TOTAL VALUE OF OPERATING PROPERTY			
	104-26-139	2,580	104-46-095-B	
	3,600			

10,042⁷¹

H2O, INC	104-47-038B	\$26.03	104-46-095C	\$890.54	/
PO BOX 40340	104-46-061B	37.81	908-44-44040	\$9031.10	
Mesa AZ 85274	104-46-077C	57.23			

91-532/1221

October 29 1999

Pay to the
Order of PINAL COUNTY TREASURER \$ 10,042.71

TEN THOUSAND FORTY TWO AND 71/100 *Dollars*



National Bank
OF ARIZONA
Tempe Office
1400 E. Southern, Tempe, Arizona 85282

MONEY MARKET PREMIUM ACCOUNT

For 1st 1/2, 1999 P-Tax

[Signature]

000

0.00 *

26.03 †

37.81 †

57.23 †

9,031.10 +

890.54 +

005

10,042.71 *

H2O, INC.
 DOMESTIC ACCOUNT
 P. O. BOX 40340 602-491-6971 FAX 602-491-6739
 MESA, AZ 85274-0340

BANK ONE.
 Bank One, Arizona, NA
 McClintock - Southern Office (121)
 Tempe, Arizona

91-2121
 1221

DATE October 29, 1999

PAY

632 DOLLARS 10 CTS

DOLLARS \$632.10

TO
 THE
 ORDER
 OF

Maricopa County Treasurer

NOT NEGOTIABLE

H2O, INC.

DELUXE FORM WVC-3 HA-5

DATE	DESCRIPTION	AMOUNT	DISTRIBUTIONS	
			ACCT. NO.	AMOUNT
	1st 1/2 Property Taxes Parcel 608-40-001			

PARCEL NUMBER	MTG. CODE	LOAN NUMBER
608 / 001 0		
	1826	

SEC/LO. PROPERTY DESCRIPTION
 TWN/BLK RING/TR
 TOTAL VALUE OF OPERATING PROPERTY

**MARICOPA COUNTY
 TREASURER**
 DOUG TODD, TREASURER
 301 W JEFFERSON ST - RM 100
 PHOENIX, AZ 85003-2199
 http://treasurer.maricopa.gov
 PHONE NUMBERS ON OTHER SIDE

**MARICOPA COUNTY
 1999 CONSOLIDATED
 PROPERTY TAX
 STATEMENT**

NOTICE: SEE REVERSE SIDE FOR
 IMPORTANT INFORMATION.
 \$25.00 CHARGE IF CHECK
 FAILS TO CLEAR BANK.
 YOUR CHECK IS YOUR RECEIPT.

H2O INC
 P O BOX 40340
 MESA AZ 85274

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 1998 AMT	1999 DISTRIBUTION		FIRST HALF TAX AMOUNT
TYPE	LIMITED	%	ASSESSED			RATE / 100	1999 AMT DUE	
LAND/BLDG PERSONAL EXEMPTION	39172		9793	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	NEW PARCEL THIS YEAR	11884 05217 48723 9741	116.37 51.10 477.14 95.39	\$632.10
PRIM. TOT.	39172		9793					
AREA CODE 410000				SUBTOTAL		75565	740.00	
FULL CASH (SECONDARY) VALUES				SECONDARY				SECOND HALF TAX AMOUNT
TYPE	FULL CASH	%	ASSESSED					
LAND/BLDG PERSONAL EXEMPTION	39172		9793	FLOOD CAWCD OVERRIDES VOL. FIRE LIBRARY *BONDS** -COUNTY -CITY -SCHOOLS -COMM COL		2858 1400 12746 0100 0421 1085 35014 1544 55168	13.72 124.82 .98 4.12 10.63 342.89 15.12 512.28	\$632.10
SEC. TOT.	39172		9793	SUBTOTAL				
SPECIAL DISTRICT (VALUE/ACRES/SQ FT) ASSESSED				DIST#				
EAST VALLEY INSTITUTE OF TECH				9793	30001	1217	11.92	
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT.						TOTALS	\$1,264.20	KEEP THIS PORTION FOR YOUR RECORDS

ATTACHMENT "D"

WATER USE DATA SHEET

NAME OF COMPANY ----->		H2O, INC.	
ADEQ Public Water System No. ----->		11-060	
MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS (No. of bills)	GALLONS SOLD (Thousands)	
1 April-99	631	10,039	
2 May-99	631	11,945	
3 June-99	637	15,708	
4 July-99	654	14,701	
5 August-99	659	14,061	
6 September-99	659	13,030	
7 October-99	667	11,131	
8 November-99	663	10,015	
9 December-99	678	10,598	
10 January-00	683	9,511	
11 February-00	685	9,364	
12 March-00	689	10,789	
13 April-00	690	11,562	
14			
15 TOTALS		152,454	
STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallon per Minute)
1 200,000	1	55-605835	1,085
2 300,000*	1	55-605837 (1)	650
3 500,000**	1	55-605836 (2)	0
4		55-605834 (3)	1,500
5	* approved waiting for final bid to construct		
6	** waiting for ACC/WIFA Financing authorization & ADEQ approval to construct		
7	(1) used as emergency backup only-not suitable for regular use (sand condition at startup)		
8	(2) well is capped & held for future use (will require approval to convert to potable water uses)		
9	(3) waiting for DWR & ADEQ approval to convert from irrigation use to potable water use		
10			
11			
12			
13			
Other Water Sources in Gallons per Minute ----->		GPM	0
Fire Hydrants on System ----->		Yes X	No
Total Water Pumped Last 13 Months (Gallons in Thousands) ----->		169,574	

FILE COPY

Renewal Of The H2O, Inc. Franchise

WHEREAS, H2O, Inc. had received a domestic water franchise from Pinal County to establish and maintain domestic water services on June 4, 1973, (hereinafter "Original Franchise").

WHEREAS, H2O, Inc., a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for a renewal of the Original Franchise for the purpose of constructing, operating and maintaining domestic water lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in the Public Notice of the renewal hearing, a copy of which is attached hereto as Exhibit "A" attached hereto.

WHEREAS, upon H2O, Inc.'s filing of an application for this renewal (hereinafter "Application"), the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Application to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 10:00 a.m. on February 17, 1999, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said Application having come on regularly for hearing at 10:00 a.m. on February 17, 1999; and it appearing from the affidavit of the publisher of the Florence Reminder-Blade Tribune that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder-Blade Tribune published on January 21, 1999, January 28, 1999, and February 4, 1999; and the matter being called for hearing at 10:00 a.m., and an opportunity having been given to all interested parties to be heard.

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

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this renewal of the Original Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: H2O, Inc., a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: domestic water lines and related appurtenances

Section 2: GRANT

A. Grantor, on February 17, 1999, hereby grants to Grantee, for a period of twenty-five years, this renewed franchise (hereinafter "Renewed Franchise") for the purpose of constructing, operating and maintaining domestic water lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

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

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

C. Reservation of Rights.

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

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

Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM

A. The Renewed Franchise herein granted shall expire on February 17, 2024, or upon any prior forfeiture; and upon its termination, Grantee shall cease to exercise under the terms of the Renewed Franchise the privileges herein granted. In the event Grantee desires a renewal of the Renewed Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Renewed Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

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

Section 4: REGULATION

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

Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS

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

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

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

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

Section 6: INSPECTION

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

Section 7: SUFFICIENCY, LOCATION AND MAINTENANCE

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

Section 8: EXPANSION

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

Section 9: RELOCATION

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

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

such expenses shall be due and payable upon written demand by County or its successors to Grantee, its successors or assigns.

Section 10: LIABILITY

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

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

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

Section 11: INDEMNIFICATION

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

Section 12: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

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

Section 13: LIMITS ON GRANTEE'S RECOURSE

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

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

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

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

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

Section 14: FAILURE TO ENFORCE FRANCHISE

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

Section 15: COMPLIANCE WITH THE LAW

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

Section 16: INTERPRETATION/GOVERNING LAW

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

Section 17: VENUE

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

Section 18: SEVERABILITY

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

Section 19: FORFEITURE

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

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

Section 20: REVOCATION OF FRANCHISE

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

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

Section 21: ASSIGNMENT/TRANSFER

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

Section 22: NOTICE

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

Grantor:

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

Grantee:

H2O, Inc.
P.O. Box 40340
Mesa, AZ 85274

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

Section 23: REMEDIES

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

Section 24: RIGHT OF INTERVENTION

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

Section 25: BOOKS AND RECORDS

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

Section 26: AD VALOREM TAXES

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

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on February 17, 1999.

PINAL COUNTY BOARD OF SUPERVISORS

Sandie Smith, Chairman

ATTEST:

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

APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY

Eric L. Walberg, Deputy County Attorney

ACCEPTANCE OF RENEWED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, H2O, Inc., a(n) Arizona corporation, does hereby accept the February 17, 1999 grant of a Renewed Franchise from Pinal County, Arizona, to construct, operate, and maintain domestic water lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

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

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

Dated this 17 day of FEBRUARY, 1999.

H2O, Inc.

By: [Signature]

Title: President

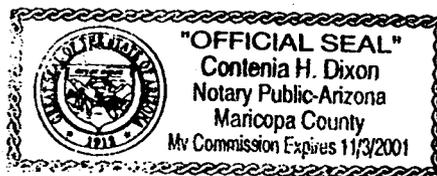
STATE OF ARIZONA)
) ss.
County of)

The foregoing instrument was acknowledged before me this 17th day of February, 1999, by Ronald Schrey, president of H2O, INC., a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

[Signature]
Notary Public

My Commission Expires:

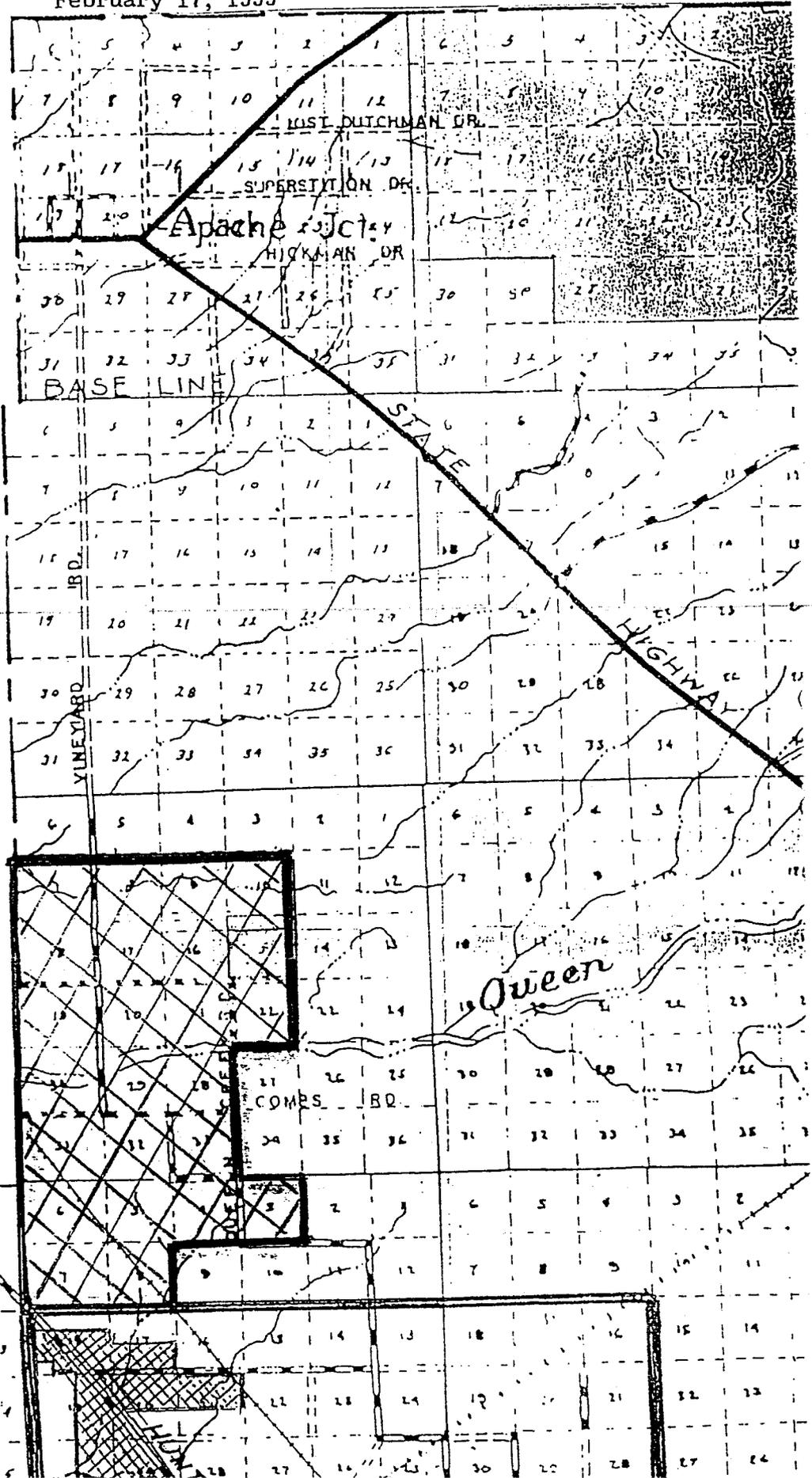
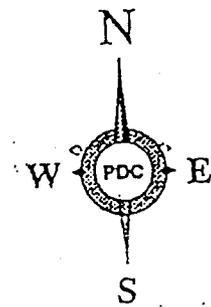
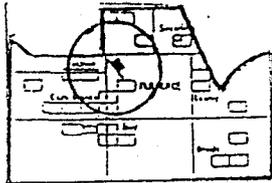
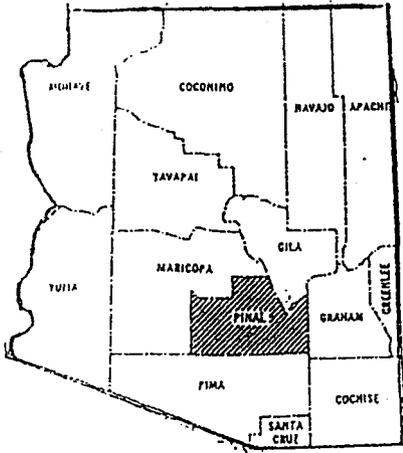
Nov 3, 2001



H2O, INC.

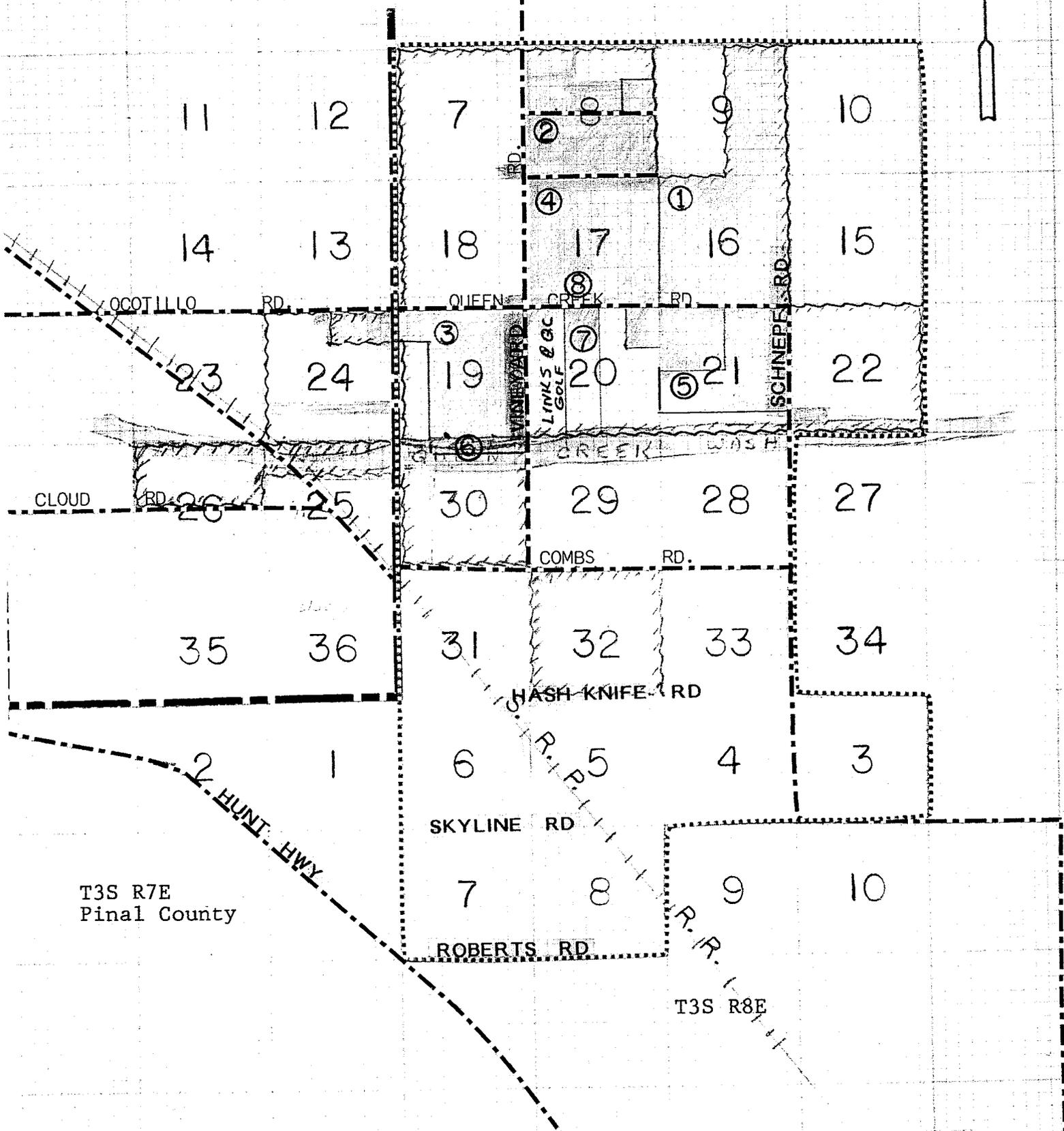
APPLICATION FOR DOMESTIC WATER FRANCHISE RENEWAL

February 17, 1999



T2S R7E
Maricopa County

T2S R8E
Pinal County



T3S R7E
Pinal County

T3S R8E

- | | | |
|---|--------------------------------------|----------|
| ① | Queen Creek Ranchos 123 Lots | Zoned SR |
| ② | Queen Creek Suburban Ranches 93 Lots | SR |
| ③ | Country Mini-Farms 147 Lots | SR |
| | Presently under County franchise | |
| | Presently under ACC CCN | |