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BEFORE THE ARIZONA CORPORATION

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**COMMISSIONERS**

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

2007 MAR 21 P 12:38

AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission

**DOCKETED**

MAR 21 2007

DOCKETED BY	
KC	NR

IN THE MATTER OF THE APPLICATION OF )  
OF WILLOW VALLEY WATER COMPANY, INC. )  
FOR AN EXTENSION OF ITS CERTIFICATE OF )  
CONVENIENCE AND NECESSITY. )

DOCKET NO. W-01732A-05-0532

**MOTION FOR EXTENSION  
OF TIME**

Willow Valley Water Company, Inc. (“Applicant” or “Willow Valley”) respectfully requests an extension of time to comply with certain ordering paragraphs in Decision No. 68610 (March 23, 2006). Specifically, Applicant moves to extend time in order to comply with the ordering paragraph requiring that copies of the Developer’s Letter of Adequate Water Supply be docketed no later than one year after a decision in this docket. Willow Valley requests a one-year extension to comply with this ordering paragraph (*i.e.* until March 23, 2008). Applicant believes that an extension of time is appropriate and in the interests of justice for the reasons described below.

Willow Valley filed its application to extend its certificate of convenience and necessity (“CC&N”) on July 26, 2005. Staff recommended approval of the application on the conditions that, among others, Willow Valley submit for Staff review and approval a fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this docket; and that Willow Valley file copies of the Developer’s Letter of Adequate Water Supply also no later than one year after a decision in this docket. The Commission adopted Staff’s proposed conditions and approved the application on March 23, 2006.

19E

**ROSHKA DEWULF & PATTEN, PLC**  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

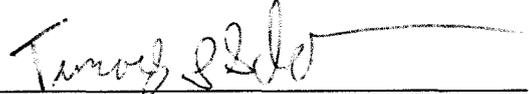
1 Since that time, the developer has been trying to acquire Letters of Adequate Water Supply  
2 for the entire extension area. While it has gotten such a letter for part of the extension area (Parcel  
3 or Tract B), the developer has been unable to acquire a Letter of Adequate Water Supply for a  
4 separate part of the extension area (Parcel or Tract C). The attached letter from McKellips Land  
5 Corporation ("McKellips") dated March 14, 2007 details the issues and difficulties with obtaining a  
6 Letter of Adequate Water Supply for Tract C. Most notably, the letter cites difficulties with  
7 obtaining a required compliance report from the Arizona Department of Environmental Quality  
8 mainly due to the litigation involving the Mohave Valley Irrigation & Drainage District  
9 ("MVIDD"). The letter describes how – while the MVIDD granted a preliminary set-aside in  
10 October, 2005 – that action was essentially invalidated. On March 6, 2007, the MVIDD granted a  
11 new-set aside to McKellips. These issues are being resolved and McKellips is moving forward in  
12 trying to obtain a Water Adequacy Report for Parcel C.

13 Also attached for consideration is a clean copy and redlined copy of the updated proposed  
14 Line Extension Agreement ("LXA"). An executed LXA was filed April 4, 2006 in this docket. The  
15 attached proposed LXA is essentially the same as the version filed April 4, 2006. A redlined copy  
16 is provided to show the changes from the prior version. Exhibit C to the LXA, the Engineer's Cost  
17 Estimate, is also attached.

18 Willow Valley believes that, for the reasons cited earlier, an extension of time to fully  
19 comply with Decision No. 68610 is reasonable, appropriate and in the public interest. This motion  
20 is not being made for purposes of delay and is in the interests of justice. Willow Valley would ask  
21 for an extension of time of one year, to best assure it can fully comply with Decision No. 68610.

22 RESPECTFULLY SUBMITTED this 21<sup>st</sup> day of March 2007.

23 ROSHKA DEWULF & PATTEN, PLC

24  
25 By   
26 Michael W. Patten  
27 Timothy J. Sabo  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004  
Attorneys for Applicant

**ROSHKA DeWULF & PATTEN, PLC**  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

1 Original and 13 copies of the foregoing  
2 filed this 21<sup>st</sup> day of March 2007 with:

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

5 Copy of the foregoing hand-delivered/mailed  
6 this 21<sup>st</sup> day of March 2007

7 Lyn Farmer, Esq.  
8 Chief Administrative Law Judge  
Hearing Division  
9 Arizona Corporation Commission  
1200 West Washington  
10 Phoenix, Arizona 85007

11 Christopher C. Kempley  
12 Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington  
13 Phoenix, Arizona 85007

14 Ernest G. Johnson, Esq.  
15 Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
16 Phoenix, Arizona 85007

17  
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# McKELLIPS LAND CORPORATION

(Incorporated 1959)

3300 NORTH CENTRAL AVENUE  
SUITE 1900  
P. O. BOX 33907  
PHOENIX, ARIZONA 85067

TELEPHONE (602) 264-2261

FACSIMILE (602) 277-4507

March 14, 2007

Willow Water Co., Inc.  
P.O. Box 5620  
Mohave Valley, AZ 86446

Re: Willow Valley Estates 20, Tract 4134B and C  
Our File No. 505.0073

Dear Sir or Madam:

I am the general counsel for, and a principal in, McKellips Land Corporation (the "Company").

As you know Willow Valley Water Co., Inc. previously applied to Mohave County for an extension of its franchise and to the Arizona Corporation Commission ("ACC") for an extension of its Certificate of Convenience and Necessity to allow the company to serve certain land owned by the Company abutting the Colorado River, including two phases (Tracts B and C) of the subdivision known as Willow Valley Estates 20, Tract 4134 (the "Subdivision") that were developed by McKellips Land Corporation partially on accretion land located outside of the water company's original certificated area. The franchise extension was approved by Mohave County and the ACC order (Decision No. 68610) was entered on March 23, 2006 approving the CC&N extension. However, the ACC order was conditioned upon the water company filing with the commission within one year of an Order (i) a copy of the developer's main extension agreement for water facilities for the extension area and (ii) a copy of the Water Adequacy Report from the Arizona Department of Water Resources.

The Company has main extension agreements for Tracts B and C and a Water Adequacy Report for Tract B, copies of which have been provided to you, but it has not yet been able to obtain a Water Adequacy Report for Tract C for a number of reasons totally outside of its control.

As you know, we have had some difficulty in obtaining a required compliance report regarding the water company from the Arizona Department of Environmental Quality (in Flagstaff). In addition, the Mohave Valley Irrigation & Drainage District which provides the contract Colorado River water required for the development was in a state of disarray for some period of time. There was a recall election in 2005 and a new Board of Directors for the District was elected. The Company obtained its preliminary set-aside of water from the new board in October of 2005. Thereafter, a lawsuit, which ended up in the Arizona Supreme Court, resulted in the new board being disqualified and all its acts called into question (including our set-aside). Eventually, the set-aside was terminated and we had to reapply. On March 6<sup>th</sup> of this month the Company was granted a new set-aside by the current board, so we are now in a position to move forward again to obtain the Water Adequacy Report for Tract C which is the last phase of the Subdivision.

Willow Water Co., Inc.  
March 14, 2007  
Page 2

The Lots in Tract B have all been sold and water is currently being served to lots in Tract B. We certainly would not want to be in the position of having the CC&N for that portion of the subdivision revoked and we are ready to move ahead again with Tract C. Therefore, we respectfully request that as soon as possible, and no later than March 22, 2007, you apply for an extension of the time within which to satisfy the conditions in the Commission Order. Let me know if you need anything further from the Company.

Sincerely yours,

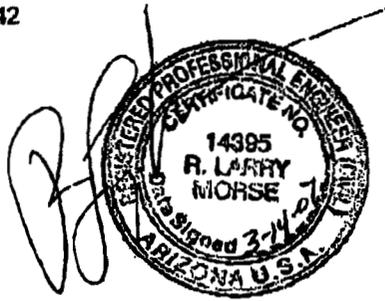
A handwritten signature in black ink, appearing to read "Wayne McKellips, Jr.", written in a cursive style.

G. Wayne McKellips, Jr.  
Vice President/General Counsel

**WILLOW VALLEY ESTATES -TRACT 4134-C  
ENGINEER'S COST ESTIMATE**

WATER SYSTEM IMPROVEMENTS				UNIT	
ITEM	DESCRIPTION	QUANTITY	UNIT	PRICE	SUBTOTAL
WATER					
1	8" PVC MAIN & FITTINGS	930	L.F.	\$18.75	\$17,437.50
2	3/4" P.E. (SINGLE SERVICE)	1	FACH	\$250.00	\$250.00
3	1" P.E. (DOUBLE SERVICE)	11	EACH	\$300.00	\$3,300.00
4	FIRE HYDRANT, VALVE, BOX & COVER	1	EACH	\$1,850.00	\$1,850.00
5	2" CURB STOP WITH FLUSHING PIPE	2	EACH	\$335.00	\$670.00
6	8" VALVES	2	EACH	\$325.00	\$650.00
7	6" PVC MAIN & FITTINGS	72	L.F.	\$17.25	\$1,242.00
8	6" VALVES	1	EACH	\$275.00	\$275.00
9	TIE INTO EXISTING SYSTEM	2	EACH	\$550.00	\$1,100.00
<b>TOTAL</b>					<b>\$26,774.50</b>

PREPARED BY: ARQ ENGINEERING, L.L.C.  
3860 Frontage Road  
Bullhead City, AZ. 86442  
Mar-07



**WILLOW VALLEY WATER CO., INC.**

**Phone: (602) 224-0711**

**LINE EXTENSION AGREEMENT**

THIS AGREEMENT, made this \_\_\_\_ day of March, 2007 by and between WILLOW VALLEY WATER CO., INC., an Arizona corporation ("Company") and McKELLIPS LAND CORPORATION, an Arizona corporation ("Applicant");

WHEREAS, Company holds a Certificate of Convenience and Necessity from the Arizona Corporation Commission ("ACC") to provide water service in and around the vicinity of the Willow Valley Estates 20, Tract 4134-C subdivision, consisting of 24 lots and more specifically described on Exhibit AA@ attached hereto and incorporated herein by this reference (the "Property");

WHEREAS, Applicant owns and intends to develop the Property and has requested Company to provide water service to the Property;

WHEREAS, certain Water-Related Facilities (as defined in Paragraph 1 below) must be designed, constructed, installed and connected to Company's system in order to permit Company to deliver adequate water service to the Property;

WHEREAS, Applicant is willing to finance, design, install and construct said Water-Related Facilities, subject to Company's approval of such design and construction.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and as a predicate to the Property receiving water service, the parties hereby agree as follows:

1. Facilities to be Constructed This Agreement governs the construction, installation and financing of the Water-Related Facilities set forth in those certain engineering plans \_\_\_\_\_, dated \_\_\_\_\_, drafted by A-N West, Inc. consisting of \_\_\_\_\_ pages not attached hereto but incorporated herein by this reference as Exhibit B (the "Plans"), as modified in final engineering plans approved by Company, the ACC, the Arizona Department of Environmental Quality ("ADEQ") or its delegate and/or such other governmental agency, if any, having authority to review and approve the engineering plans. Such modifications shall be deemed to amend the Plans and are incorporated herein by reference. No other or further amendments shall be permitted without written authorization of Company. The facilities to be constructed pursuant to the Plans are herein referred to as the "Water-Related Facilities". Any additional lines, or water facilities necessary to provide adequate water service to the Property, or any portion thereof, are beyond the scope of this Agreement and will be the subject matter of separate and distinct agreements.

2. Applicant to Construct and Pay: Applicant shall design, construct and install the Water-Related Facilities and shall pay all of the costs related thereto and/or arising directly or indirectly from this Agreement or any undertaken in the performance thereof, including, but not limited to, the costs of engineering, computer modeling analysis, materials, labor, transportation,

equipment, known or unknown, presently incurred or hereafter arising (through the dated of acceptance by the Company of the Water Related Facilities) regulatory fees, special assessments, excise charges, taxes (excluding property taxes and Company=s income taxes) or surcharges, regulatory fees, necessary permits, easements, inspections, administrative overhead, attorney's fees, approvals, testing, correction, insurance and bonds, if any.

3. Time of Payment: Applicant, prior to Company's written acceptance of the Water-Related Facilities, shall pay all costs incurred by Applicant with any third party in the performance of this Agreement. Prior to Company's written acceptance of the Water-Related Facilities, but not later than thirty (30) days after completing construction, Applicant shall pay Company the actual costs incurred directly by the company for Company's cost of engineering, computer modeling analysis, inspection, and attorneys' fees incurred in connection with this Agreement not to exceed Five Percent (5%) of the total cost of construction (collectively, ACompany Costs@). All other sums payable by Applicant to Company hereunder shall be due and payable the later of: (a) prior to the Company's written acceptance of the Water-Related Facilities, or (b) within fifteen (15) days of receiving a bill therefore. Interest shall accrue on any unpaid balance at the rate of 1.5% per month. All sums paid by the Applicant pursuant to this Paragraph 3 and supported by documentation as required by Paragraph 5, shall be deemed advances-in-aid-of-construction refundable as set forth in Paragraph 6 hereof.

4. Actual Cost Shall Govern: The estimated total cost of the Water-Related Facilities is \$26,774.50 as shown on Exhibit C, plus all applicable Company Costs. Applicant acknowledges the estimate is non-binding and hereby agrees to pay the actual cost of the Water-Related Facilities.

5. Documentation: Applicant shall, as a condition of acceptance of the Water-Related Facilities by Company and not later than sixty (60) days after completing construction, furnish Company with:

- (a) copies of all bills, invoices and other statements of expenses incurred by Applicant, covering all costs of materials, equipment, supplies, construction and installation of the Water-Related Facilities;
- (b) lien waivers and releases from contractors, subcontractors and vendors for materials, labor, equipment, supplies and construction included in Water-Related Facilities;
- (c) receipts, specifying exact amounts or payments in full by Applicant to all contractors, subcontractors or vendors for all materials, equipment, supplies, labor and other costs of construction of the Water-Related Facilities;
- (d) "as-built" drawings certified as to correctness by A-N West, Inc., or other engineer registered in the State of Arizona and approved by Company and Applicant, and showing the location and respective sizes of Water-Related Facilities; and

(e) all easements, bills of sale, deeds and other evidences of ownership, and/or right to operate, maintain, repair and replace the Water-Related Facilities reasonably requested by Company.

6. Return of Advance: The cost of construction and installation of Water-Related Facilities advanced by Applicant pursuant to this Agreement and evidenced by invoices furnished to Company pursuant to Paragraph 5 hereof, is subject to refund by Company to Applicant. Company shall make refunds annually on or before August 31, for the preceding July 1, through June 30 period. The amount to be refunded annually shall be ten percent (10%) of gross annual revenues (excluding all gross receipts collected as sales taxes, franchise fees and/or any other assessment, fee, tax or charge imposed by a state, federal or local governmental body or pursuant to a cost adjustment mechanism approved by the ACC) derived from the provision of water served from each customer service line leading up to and taken from water mains installed by Applicant pursuant to this Agreement.

Refunds shall be payable for a period of fifteen (15) years commencing from the earlier of: (a) the date of Company's acceptance of the Water-Related Facilities, or (b) the first day of the month following 180 days from the execution of this Agreement. In no event shall the funds paid hereunder exceed the total amounts paid by Applicant as advances-in-aid-of construction pursuant to this Agreement. Any balance remaining at the end of the fifteen (15) year period shall become non-refundable unless the refund period is extended from year to year at the sole option of Company. No interest shall be paid on any amount advanced by Applicant pursuant to this Agreement.

7. Company's Right of First Refusal: Before selling or transferring the refund obligation of Company under this Agreement, Applicant shall first give Company, and its heirs, successors and assigns, reasonable opportunity to purchase the same at the same price and upon the same terms as contained in any bona fide offer which Applicant has received from any third person or persons which Applicant may desire to accept.

8. Governmental Approvals: Prior to purchasing materials for or commencing construction of the Water-Related Facilities, Applicant shall pay for and provide to Company all requisite permits, highway construction permits, zoning and other governmental approvals, as required, and necessary to install, construct and maintain the Water-Related Facilities, not including permits required to be obtained and maintained generally by the Company in order to do business (e.g. its Franchise and related fees)..

9. Provision and Use of Easements: Applicant shall, at no cost to and in a form acceptable to Company, provide on the recorded plat of the subdivision, or otherwise furnish Company any and all easements and rights-of-way reasonably necessary to insure the proper provision of utility service by Company, as determined in the reasonable discretion of Company. In addition, Company shall have the right to use any of the existing or future dedications, easements, or recorded rights-of-way on the Property in furtherance of the proper provision of utility service by Company.

10. Provision and Use of Wellsites, Booster Sites and Storage Tank Sites: Company acknowledges that it has previously acquired adequate well site(s), booster site(s), and storage tank site(s) deemed by it to be necessary for the location of the Water-Related Facilities and provision of service to the Property in accordance with the provisions hereof..

11. Obligation to Complete Water-Related Facilities: If Applicant fails to commence construction within a reasonable time after recordation of the subdivision plat and thereafter pursue completion of the Water-Related Facilities with reasonable diligence as determined by Company, Company shall give written notice thereof and if Applicant does not resume construction within twenty (20) days thereafter, and diligently pursue completion thereof, then this Agreement may be canceled upon ten (10) days written notice to Applicant. In the event the Agreement is canceled, neither party hereto shall have any further obligations to the other hereunder, except that Applicant shall be responsible and pay to Company an amount equal to the costs actually incurred by Company, including, but not limited to, engineering and legal fees and costs incurred in the preparation of this Agreement. Any advances Company has received in excess of the actual costs shall be refunded to Applicant. If Applicant or any contractor employed by Applicant is delayed at any time in the progress of the work by labor disputes, fire, unusual delay in deliveries, abnormal adverse weather conditions, unavoidable casualties or any other causes beyond the control of Applicant or such contractor, the time allowed by Company for construction shall be extended for a reasonable period on account thereof.

12. Company's Right to Stop Work: If Applicant materially fails to perform in accordance with this Agreement, and if a continuation of the work without correction could impede or render more expensive the correction of Applicant's failure, then Company, by a written order signed by a duly designated representative of the Company, may order Applicant to stop, and Applicant shall stop construction and installation of the Water-Related Facilities, or any portion thereof, until the cause for such order has been eliminated.

13. Contractor's License: Unless another classification is appropriate, all construction, installation and connection of Water-Related Facilities shall be done by a contractor having a valid contractor's license issued by the State of Arizona Registrar of Contractors encompassing the work to be performed (usually a Class A, A-12 or A-16 license).

14. Construction Standards: The size, design, type and quality of materials shall be in accordance with good utility practices, the requirements of Company (as identified on or before the date of this Agreement or as attached as Exhibit D), the rules, regulations, orders and requirements of the ACC, ADEQ and any other public agency having jurisdiction thereof, including, but not limited to, traffic control, compaction, safety, pavement removal and replacement, sloping, shielding, shoring, OSHA regulations and Arizona Department of Health Services Bulletins No. 8 and No. 10. Additionally, all of said plans and specifications shall meet or exceed the standards and specifications of the Maricopa Association of Governments, and shall be approved in writing by Company before being submitted to ADEQ, or its designee, or the Arizona Corporation Commission ("ACC") for approval. Approval by Company will not be unreasonably withheld or delayed. Water-Related Facilities will be designed and constructed with sufficient capacity to accommodate the water service requirement of the Property, including fire flow requirements imposed by a governmental entity, without adversely impacting water

service to other customers of Company. Upon the request of Company, the Water-Related Facilities or any portion thereof, shall be oversized, provided Company shall be responsible for and pay the incremental increase in costs and expenses related to the oversizing.

15. Inspection and Testing: Applicant shall comply with the inspection and testing requirements of Company and any governmental agency having jurisdiction over the construction, installation and connection of the Water-Related Facilities. Any inspection or testing requirement imposed by Company shall be reasonable and shall not cause Applicant unwarranted delays in the ordinary course of construction. Unless otherwise agreed, Applicant shall notify Company or Company's designated Engineer (ARQ Engineering, LLC for this project), that Water-Related Facilities are ready for inspection and/or testing, prior to covering or otherwise limiting access to the facility and when inspection or testing is otherwise required. Company, or its designated Engineer shall make an initial inspection of the facility within forty-eight (48) hours after being so notified, excluding weekends and holidays. Inspection or testing by Company shall in no way relieve or limit Applicant's responsibility and liability for construction and installation of Water-Related Facilities in accordance with the terms of this Agreement; provided, however, if Applicant requires or otherwise obtains a performance bond acceptable to Company, Applicant may require Company to proceed solely against the bond to remedy defects and deficiencies in construction, materials and workmanship.

16. Acceptance of Facilities: No Water-Related Facilities will be deemed accepted unless: (a) accepted in writing by Company or (b) documentation of conveyance has been delivered to and accepted by Company. Company shall not unreasonably refuse to accept Water-Related Facilities when offered by Applicant; provided, however, Company has no obligation to accept Water-Related Facilities, or any portion thereof, if: (a) not constructed in material conformance with the Plans; (b) determined to be unsatisfactory in any material respect upon inspection or testing; (c) not paid for in full; (d) liened or encumbered in any way; (e) not located on Company property, easement or right-of-way; or (f) not supported by proper documentation. Within sixty (60) days of Applicant tendering the facilities for acceptance, Company shall provide written notification of any defects and items left to be completed. Applicant shall promptly correct all defects and complete all items so identified.

17. Temporary Use of Facilities: Applicant irrevocably consents to Company's use of all or any portion of the Water-Related Facilities, without cost to Company, prior to formal acceptance thereof. Any water service provided by Company to the Property prior to written acceptance of the Water-Related Facilities as provided herein is provided on a temporary basis only, subject to termination on ten (10) days written notice that temporary service will no longer be available until Applicant meets all conditions precedent to acceptance of the Water-Related Facilities.

18. Risk of Loss: All risk of loss shall be with Applicant until written acceptance by Company of the Water-Related Facilities. Applicant shall repair or cause to be repaired promptly, at no cost to Company, all damage to the Water-Related Facilities caused by construction operations until all construction under this Agreement has been completed and accepted in writing by Company.

19. Performance Bond and Labor and Material (Payment) Bond: No performance or Payment Bonds shall be required in connection with the construction contemplated under this Agreement.

20. Title to Property in Utility: The Water-Related Facilities constructed pursuant to this Agreement shall become upon acceptance thereof by Company, and shall remain, the sole property of Company without the requirement of any written document of transfer to Company. Applicant shall not have any further right, title, ownership or ownership interest herein whatsoever, except for the right to receive refunds of the particular advance-in-aid-of-construction pursuant to the method hereinafter described. However, Applicant shall furnish any document pertaining to ownership and title as may be requested by Company including documents which evidence or confirm transfer of possession to Company of good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Applicant.

21. Warranty: Unless otherwise provided in Exhibit B, Applicant warrants to Company that all materials and equipment furnished under this Agreement will be new, and that the Water-Related Facilities will be of good quality, free from faults and defects. Applicant further guarantees the Water-Related Facilities for a period of two (2) years from the date of their acceptance by Company. Should any portion of the Water-Related Facilities need replacement or repair within two (2) years from the date of completion due to construction methods or material failure, Applicant shall replace such portion of the Water-Related Facilities at no cost to Company. If Applicant fails within reasonable time to replace or repair any portion of the Water-Related Facilities deemed to be needed, Company may cause said Water-Related Facilities to be replaced or repaired and Applicant agrees to pay all costs incurred therein; provided, however, if Applicant has obtained a performance bond which has been accepted by Company, Applicant may require Company to first proceed against the bond to remedy defects and deficiencies in construction, materials and workmanship. Any portion of the Water-Related Facilities not conforming to the Agreement, including substitutions not properly approved and authorized, may be considered defective. If required by Company, Applicant shall furnish satisfactory evidence as to the kind and quality of materials and equipment used on the Water-Related Facilities.

22. Insurance: Applicant shall be responsible for purchasing and maintaining the Applicant's usual liability insurance until acceptance of the Water-Related Facilities, including, without limitation commercial general liability with coverage in an amount no less than \$1,000,000/\$1,000,000.

Applicant shall submit to Company proof of the required insurance at such time(s) as deemed appropriate by Company. Applicant shall obtain the above-described insurance from insurance companies which are duly authorized to issue such policies in the State of Arizona, "Best Rated A" or better than the A.M. Best Company. Applicant shall maintain such insurance coverage until all the Work has been completed and the Water-Related Facilities have been accepted in writing by Company.

Company shall not be obligated to review any of the Applicant's Certificates of Insurance, insurance policies or endorsements or to advise Applicant of any deficiencies in such

documents and any receipt of copies or review by Company of such documents shall not relieve Applicant from or be deemed a waiver of Company's right to insist on strict fulfillment of Applicant's obligations under this paragraph.

23. Protection of Persons and Property: Applicant shall adopt and require its employees, officers, agents, contractors and subcontractors to adopt every practical means and comply with all laws, ordinances and regulations in order to minimize interferences to traffic, and to avoid inconveniences, discomfort, loss damage and injury to persons and property, including the provision of adequate dust control measures during the construction, installation or connection of the Water-Related Facilities. All obstruction to traffic shall be guarded. Neither Applicant nor any subcontractor shall trespass upon private property. Applicant shall require its contractors to take reasonable measures to protect against injury or damage to pipes, sewer conduits, electrical conduits, lawns, gardens, shrubbery, trees, fences, or other structures or property, public and/or private, encountered in the performance of this Agreement. Company shall not be responsible or liable for any injury or damage to persons or property, directly or indirectly, resulting from the actions or inactions of Applicant, its officers, directors, agents, employees and representatives; including contractors completing the Water-Related Facilities.

24. Indemnification: Applicant shall indemnify and hold harmless Company, its officers, directors, members, agents and employees from and against claims or expenses, including penalties and assessments and attorney's fees to which they or any of them may be subjected by reason of injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence of Applicant, its agents, servants, employees, contractors or subcontractors in the execution of Applicant's obligations under this Agreement or in connection therewith, provided, however, such indemnification shall not extend to claims or expenses arising by reason of the negligence or willful misconduct of any of the parties intended to be indemnified. In case any suit or other proceeding shall be brought for which indemnification is required hereunder, Applicant will assume the defense at Applicant's own expense and will pay all judgments rendered therein. The provisions of this Paragraph shall survive termination of this Agreement.

25. Water Service: Upon Applicant complying fully with this Agreement, including receiving Company's written acceptance of the Water-Related Facilities, and obtaining all requisite governmental approvals to sell lots within the Property, Company agrees to offer domestic water service to the Property. Water service shall be offered in accordance with Company's Articles of Incorporation, By-laws, rules and regulations, and under the tariffs and rules and regulations approved by the ACC, as amended from time to time. This Agreement shall not preclude Company from requiring applications for water service to be executed and complied with prior to the actual delivery of water service to individual lots within the Property.

Applicant is requesting retail potable water service to the Property for domestic use only. **Company does not hereby agree to furnish water for industrial, lake, irrigation, golf course or any other non-domestic purpose, but may do so if so agreed by separate agreement. COMPANY EXPRESSLY DISCLAIMS ANY RESPONSIBILITY OR OBLIGATION TO PROVIDE WATER AT A SPECIFIC PRESSURE OR GALLONS-PER-MINUTE FLOW RATE AT ANY FIRE STANDPIPE, OR FIRE HYDRANT, OR FOR FIRE**

**PROTECTION SERVICE. IN THE EVENT FIRE PROTECTION SERVICE IS INTERRUPTED, IRREGULAR, DEFECTIVE, OR FAILS FROM CAUSES BEYOND THE COMPANY'S CONTROL OR THROUGH ORDINARY NEGLIGENCE OF ITS EMPLOYEES, SERVANTS OR AGENTS, THE COMPANY WILL NOT BE LIABLE FOR ANY INJURIES OR DAMAGES ARISING THEREFROM.** Notwithstanding the foregoing, Company agrees that it will not reduce the specific pressure designed into Applicant=s water system by adding additional services or otherwise.

Company shall have no obligation whatsoever to provide service to the Property or any portion thereof, unless and until: Applicant has paid the full cost of the Water-Related Facilities as required hereunder; Applicant has secured all governmental approvals required hereunder or as a condition to the sale and/or occupancy of the subdivided lots; construction of the Water-Related Facilities has been completed and accepted in writing by Company; and with respect to water service to individual lots, Company has been paid all fees, charges, and deposits authorized to be charged by the ACC including, but not limited to, meter and service lines which are not a part of the Water Related Facilities covered by this Agreement.

26. Conservation Requirement: To the extent Applicant contracts for or constructs residences or other water consuming facilities on the Property, Applicant shall make its best efforts to ensure that construction of said residences and facilities incorporates the latest technologies in water conservation consistent with the economic investment therein and limits water using features. Applicant shall include as a part of its recorded covenants, conditions and restrictions on the lots in the subdivision a requirement that each lot purchaser within the Property take all steps reasonably necessary, including restricting outside lawns and vegetation, to limit the total water received from Applicant to the amount of water allocated to the Property on a per lot basis by the Mohave Valley Irrigation and Drainage District.

27. Non-Agents: It is agreed that Company is not an agent for Applicant and shall not incur any costs or expenses on behalf of Applicant and that Applicant is not an agent of Company and shall not incur any costs or expenses on behalf of Company.

28. Communication: Communications hereunder shall be sent to Applicant addressed as follows:

Mr. G. Wayne McKellips, Jr.  
McKellips Land Corporation  
3300 N. Central Avenue, Suite 1900  
Phoenix, Arizona 85012

with a faxed copy to: (602) 277-4507

or to such other addresses or addressees as Applicant may advise Company in writing, and to Company at:

Willow Valley Water Company, Inc.  
c/o Global Water

21410 N. 19<sup>th</sup> Ave, Suite 201  
Phoenix, Arizona 85012

with a faxed copy to: (602) \_\_\_\_\_

or to such other addresses or addressees as Company may advise Applicant in writing.

Any notice to a party under this Agreement shall be in writing, and may be given by personal delivery, facsimile transmission (followed by mailing), recognized overnight courier or mail, and shall be deemed given and effectively served upon delivery, or if mailed, upon mailing provided it is thereafter actually delivered (or refused) and is mailed (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth herein, or to such other address as shall have previously been specified in writing by such party to all parties hereto; provided, however, a notice of change of address for notices shall not be deemed made until actually received. Refusal to accept delivery or to sign a receipt, or the inability to deliver because of a changed address of which no notice previously was given, shall constitute actual receipt. Whenever a party has the right or is required to do some act or give some notice within a prescribed period after the service of a notice or other paper upon that party which was served by mail only, three days shall be added to the prescribed period for response.

29. Assignability: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns and either party may record the Agreement with the County Recorder's office in the county where the Property is located. However, Applicant shall not assign its rights, obligations and interest in this Agreement without the prior written consent of Company and any attempted assignment without such consent shall be void and of no effect; provided, subject to the provisions of Paragraph 7 hereof, Applicant may assign without the consent of the Company its rights to refunds hereunder.

30. Rights and Remedies: The duties and obligations imposed by this Agreement and the rights and remedies available hereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available at law or equity. No action or failure to act by Company or Applicant shall constitute a waiver of any right or duty afforded any of them under the Agreement, nor shall any action or failure to act constitute an approval of or acquiescence in any breach, except as may be specifically agreed in writing.

31. Litigation: Should litigation be necessary to enforce any term or provision of this Agreement, or to collect any damage claimed or portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs, and attorneys fees shall be paid by the losing party to the prevailing party. Nothing herein shall preclude non-binding arbitration if the parties so elect in the event of a dispute hereunder.

32. Entire Agreement/Time of the Essence/Waiver: This Agreement sets forth the full and entire agreement of the parties and it may only be altered, amended or supplemented in writing. This Agreement shall be governed by the laws of the State of Arizona. Time is of the essence in performing all obligations hereunder. Waiver of a breach of any term, condition or



ACKNOWLEDGMENTS

STATE OF ARIZONA        )  
  ) ss.  
COUNTY OF Maricopa    )

On this \_\_\_\_\_ day of March, 2007 before me, the undersigned, a Notary Public, personally appeared \_\_\_\_\_ who acknowledged himself to be the \_\_\_\_\_ of Willow Valley Water Company, Inc., an Arizona corporation and that he as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

STATE OF ARIZONA        )  
  ) ss.  
COUNTY OF Maricopa    )

On this \_\_\_\_\_ day of March, 2007 before me, the undersigned, a Notary Public, personally appeared G. Wayne McKellips, Jr. who acknowledged himself to be a Vice President of McKellips Land Corporation, an Arizona corporation, and that he as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

**EXHIBIT AA@**

Legal Description of Property

Lots 57 through 80, inclusive, Willow Valley Estates 20, Tract 4134-C, according to the plat thereof recorded \_\_\_\_\_, 2007, in the office of the Mohave County Recorder at Fee No. 07-\_\_\_\_\_.

**EXHIBIT "B"**

Plans (to be attached when available)

**EXHIBIT "C"**

Engineer's Cost Estimate

**WILLOW VALLEY WATER CO., INC.**

**Phone: (602) 224-0711**

**LINE EXTENSION AGREEMENT**

THIS AGREEMENT, made this \_\_\_ day of ~~September, 2003~~ March, 2007 by and between WILLOW VALLEY WATER CO., INC., an Arizona corporation ("Company") and McKELLIPS LAND CORPORATION, an Arizona corporation ("Applicant");

WHEREAS, Company holds a Certificate of Convenience and Necessity from the Arizona Corporation Commission ("ACC") to provide water service in and around the vicinity of the Willow Valley Estates 20, Tract 4134-~~BC~~ subdivision, consisting of ~~2924~~ lots and more specifically described on Exhibit "~~A~~"AA attached hereto and incorporated herein by this reference (the "Property");

WHEREAS, Applicant owns and intends to develop the Property and has requested Company to provide water service to the Property;

WHEREAS, certain Water-Related Facilities (as defined in Paragraph 1 below) must be designed, constructed, installed and connected to Company's system in order to permit Company to deliver adequate water service to the Property;

WHEREAS, Applicant is willing to finance, design, install and construct said Water-Related Facilities, subject to Company's approval of such design and construction.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and as a predicate to the Property receiving water service, the parties hereby agree as follows:

1. Facilities to be Constructed This Agreement governs the construction, installation and financing of the Water-Related Facilities set forth in those certain engineering plans \_\_\_\_\_, dated \_\_\_\_\_, drafted by A-N West, Inc. consisting of \_\_\_\_\_ pages not attached hereto but incorporated herein by this reference as Exhibit B (the "Plans"), as modified in final engineering plans approved by Company, the ACC, the Arizona Department of Environmental Quality ("ADEQ") or its delegatee and/or such other governmental agency, if any, having authority to review and approve the engineering plans. Such modifications shall be deemed to amend the Plans and are incorporated herein by reference. No other or further amendments shall be permitted without written authorization of Company. The facilities to be constructed pursuant to the Plans are herein referred to as the "Water-Related Facilities". Any additional lines, or water facilities necessary to provide adequate water service to the Property, or any portion thereof, are beyond the scope of this Agreement and will be the subject matter of separate and distinct agreements.

2. Applicant to Construct and Pay: Applicant shall design, construct and install the Water-Related Facilities and shall pay all of the costs related thereto and/or arising directly or indirectly from this Agreement or any undertaken in the performance thereof, including, but not limited to, the costs of engineering, computer modeling analysis, materials, labor, transportation, equipment, known or unknown, presently incurred or hereafter arising (through the dated of acceptance by the Company of the Water Related Facilities) regulatory fees, special assessments, excise charges, taxes (excluding property taxes and Company's income taxes) or surcharges, regulatory fees, necessary permits, easements, inspections, administrative overhead, attorney's fees, approvals, testing, correction, insurance and bonds, if any.

3. Time of Payment: Applicant, prior to Company's written acceptance of the Water-Related Facilities, shall pay all costs incurred by Applicant with any third party in the performance of this Agreement. Prior to Company's written acceptance of the Water-Related Facilities, but not later than thirty (30) days after completing construction, Applicant shall pay Company the actual costs incurred directly by the company for Company's cost of engineering, computer modeling analysis, inspection, and attorneys' fees incurred in connection with this Agreement not to exceed Five Percent (5%) of the total cost of construction (collectively, "Company's Company Costs"). All other sums payable by Applicant to Company hereunder shall be due and payable the later of: (a) prior to the Company's written acceptance of the Water-Related Facilities, or (b) within fifteen (15) days of receiving a bill therefore. Interest shall accrue on any unpaid balance at the rate of 1.5% per month. All sums paid by the Applicant pursuant to this Paragraph 3 and supported by documentation as required by Paragraph 5, shall be deemed advances-in-aid-of-construction refundable as set forth in Paragraph 6 hereof.

4. Actual Cost Shall Govern: The estimated total cost of the Water-Related Facilities is ~~forty seven thousand three hundred and forty two dollars (\$47,342)~~ \$26,774.50 as shown on Exhibit C, plus all applicable Company Costs. Applicant acknowledges the estimate is non-binding and hereby agrees to pay the actual cost of the Water-Related Facilities.

5. Documentation: Applicant shall, as a condition of acceptance of the Water-Related Facilities by Company and not later than sixty (60) days after completing construction, furnish Company with:

(a) copies of all bills, invoices and other statements of expenses incurred by Applicant, covering all costs of materials, equipment, supplies, construction and installation of the Water-Related Facilities;

(b) lien waivers and releases from contractors, subcontractors and vendors for materials, labor, equipment, supplies and construction included in Water-Related Facilities;

(c) receipts, specifying exact amounts or payments in full by Applicant to all contractors, subcontractors or vendors for all materials, equipment, supplies, labor and other costs of construction of the Water-Related Facilities;

(d) "as-built" drawings certified as to correctness by A-N West, Inc., or other engineer registered in the State of Arizona and approved by Company and Applicant, and showing the location and respective sizes of Water-Related Facilities; and

(e) all easements, bills of sale, deeds and other evidences of ownership, and/or right to operate, maintain, repair and replace the Water-Related Facilities reasonably requested by Company.

6. Return of Advance: The cost of construction and installation of Water-Related Facilities advanced by Applicant pursuant to this Agreement and evidenced by invoices furnished to Company pursuant to Paragraph 5 hereof, is subject to refund by Company to Applicant. Company shall make refunds annually on or before August 31, for the preceding July 1, through June 30 period. The amount to be refunded annually shall be ten percent (10%) of gross annual revenues (excluding all gross receipts collected as sales taxes, franchise fees and/or any other assessment, fee, tax or charge imposed by a state, federal or local governmental body or pursuant to a cost adjustment mechanism approved by the ACC) derived from the provision of water served from each customer service line leading up to and taken from water mains installed by Applicant pursuant to this Agreement.

Refunds shall be payable for a period of fifteen (15) years commencing from the earlier of: (a) the date of Company's acceptance of the Water-Related Facilities, or (b) the first day of the month following 180 days from the execution of this Agreement. In no event shall the funds paid hereunder exceed the total amounts paid by Applicant as advances-in-aid-of construction pursuant to this Agreement. Any balance remaining at the end of the fifteen (15) year period shall become non-refundable unless the refund period is extended from year to year at the sole option of Company. No interest shall be paid on any amount advanced by Applicant pursuant to this Agreement.

7. Company's Right of First Refusal: Before selling or transferring the refund obligation of Company under this Agreement, Applicant shall first give Company, and its heirs, successors and assigns, reasonable opportunity to purchase the same at the same price and upon the same terms as contained in any bona fide offer which Applicant has received from any third person or persons which Applicant may desire to accept.

8. Governmental Approvals: Prior to purchasing materials for or commencing construction of the Water-Related Facilities, Applicant shall pay for and provide to Company all requisite permits, highway construction permits, zoning and other governmental approvals, as required, and necessary to install, construct and maintain the Water-Related Facilities, not including permits required to be obtained and maintained generally by the Company in order to do business (e.g. its Franchise and related fees)..

9. Provision and Use of Easements: Applicant shall, at no cost to and in a form acceptable to Company, provide on the recorded plat of the subdivision, or otherwise

furnish Company any and all easements and rights-of-way reasonably necessary to insure the proper provision of utility service by Company, as determined in the reasonable discretion of Company. In addition, Company shall have the right to use any of the existing or future dedications, easements, or recorded rights-of-way on the Property in furtherance of the proper provision of utility service by Company.

10. Provision and Use of Wellsites, Booster Sites and Storage Tank Sites: Company acknowledges that it has previously acquired adequate well site(s), booster site(s), and storage tank site(s) deemed by it to be necessary for the location of the Water-Related Facilities and provision of service to the Property in accordance with the provisions hereof..

11. Obligation to Complete Water-Related Facilities: ~~If Applicant has commenced~~fails to commence construction within a reasonable time after recordation of the subdivision plat and thereafter pursue completion of the Water-Related Facilities. ~~If Applicant fails to pursue completion~~ with reasonable diligence as determined by Company, Company shall give written notice thereof and if Applicant does not resume construction within twenty (20) days thereafter, and diligently pursue completion thereof, then this Agreement may be canceled upon ten (10) days written notice to Applicant. In the event the Agreement is canceled, neither party hereto shall have any further obligations to the other hereunder, except that Applicant shall be responsible and pay to Company an amount equal to the costs actually incurred by Company, including, but not limited to, engineering and legal fees and costs incurred in the preparation of this Agreement. Any advances Company has received in excess of the actual costs shall be refunded to Applicant. If Applicant or any contractor employed by Applicant is delayed at any time in the progress of the work by labor disputes, fire, unusual delay in deliveries, abnormal adverse weather conditions, unavoidable casualties or any other causes beyond the control of Applicant or such contractor, the time allowed by Company for construction shall be extended for a reasonable period on account thereof.

12. Company's Right to Stop Work: If Applicant materially fails to perform in accordance with this Agreement, and if a continuation of the work without correction could impede or render more expensive the correction of Applicant's failure, then Company, by a written order signed by a duly designated representative of the Company, may order Applicant to stop, and Applicant shall stop construction and installation of the Water-Related Facilities, or any portion thereof, until the cause for such order has been eliminated.

13. Contractor's License: Unless another classification is appropriate, all construction, installation and connection of Water-Related Facilities shall be done by a contractor having a valid contractor's license issued by the State of Arizona Registrar of Contractors encompassing the work to be performed (usually a Class A, A-12 or A-16 license).

14. Construction Standards: The size, design, type and quality of materials shall be in accordance with good utility practices, the requirements of Company (as identified on or before the date of this Agreement or as attached as Exhibit D), the rules, regulations, orders and requirements of the ACC, ADEQ and any other public agency having jurisdiction ~~thereover~~thereof, including, but not limited to, traffic control, compaction, safety, pavement removal and replacement, sloping, shielding, shoring, OSHA regulations and Arizona

Department of Health Services Bulletins No. 8 and No. 10. Additionally, all of said plans and specifications shall meet or exceed the standards and specifications of the Maricopa Association of Governments, and shall be approved in writing by Company before being submitted to ADEQ, or its designee, or the Arizona Corporation Commission ("ACC") for approval. Approval by Company will not be unreasonably withheld or delayed. Water-Related Facilities will be designed and constructed with sufficient capacity to accommodate the water service requirement of the Property, including fire flow requirements imposed by a governmental entity, without adversely impacting water service to other customers of Company. Upon the request of Company, the Water-Related Facilities or any portion thereof, shall be oversized, provided Company shall be responsible for and pay the incremental increase in costs and expenses related to the oversizing.

15. Inspection and Testing: Applicant shall comply with the inspection and testing requirements of Company and any governmental agency having jurisdiction over the construction, installation and connection of the Water-Related Facilities. Any inspection or testing requirement imposed by Company shall be reasonable and shall not cause Applicant unwarranted delays in the ordinary course of construction. Unless otherwise agreed, Applicant shall notify Company or Company's designated Engineer (~~A-N West, Inc~~ ARQ Engineering, LLC for this project), that Water-Related Facilities are ready for inspection and/or testing, prior to covering or otherwise limiting access to the facility and when inspection or testing is otherwise required. Company, or its designated Engineer shall make an initial inspection of the facility within forty-eight (48) hours after being so notified, excluding weekends and holidays. Inspection or testing by Company shall in no way relieve or limit Applicant's responsibility and liability for construction and installation of Water-Related Facilities in accordance with the terms of this Agreement; provided, however, if Applicant requires or otherwise obtains a performance bond acceptable to Company, Applicant may require Company to proceed solely against the bond to remedy defects and deficiencies in construction, materials and workmanship.

16. Acceptance of Facilities: No Water-Related Facilities will be deemed accepted unless: (a) accepted in writing by Company or (b) documentation of conveyance has been delivered to and accepted by Company. Company shall not unreasonably refuse to accept Water-Related Facilities when offered by Applicant; provided, however, Company has no obligation to accept Water-Related Facilities, or any portion thereof, if: (a) not constructed in material conformance with the Plans; (b) determined to be unsatisfactory in any material respect upon inspection or testing; (c) not paid for in full; (d) liened or encumbered in any way; (e) not located on Company property, easement or right-of-way; or (f) not supported by proper documentation. Within sixty (60) days of Applicant tendering the facilities for acceptance, Company shall provide written notification of any defects and items left to be completed. Applicant shall promptly correct all defects and complete all items so identified.

17. Temporary Use of Facilities: Applicant irrevocably consents to Company's use of all or any portion of the Water-Related Facilities, without cost to Company, prior to formal acceptance thereof. Any water service provided by Company to the Property prior to written acceptance of the Water-Related Facilities as provided herein is provided on a temporary basis only, subject to termination on ten (10) days written notice that temporary

service will no longer be available until Applicant meets all conditions precedent to acceptance of the Water-Related Facilities.

18. Risk of Loss: All risk of loss shall be with Applicant until written acceptance by Company of the Water-Related Facilities. Applicant shall repair or cause to be repaired promptly, at no cost to Company, all damage to the Water-Related Facilities caused by construction operations until all construction under this Agreement has been completed and accepted in writing by Company.

19. Performance Bond and Labor and Material (Payment) Bond: No performance or Payment Bonds shall be required in connection with the construction contemplated under this Agreement.

20. Title to Property in Utility: The Water-Related Facilities constructed pursuant to this Agreement shall become upon acceptance thereof by Company, and shall remain, the sole property of Company without the requirement of any written document of transfer to Company. Applicant shall not have any further right, title, ownership or ownership interest herein whatsoever, except for the right to receive refunds of the particular advance-in-aid-of-construction pursuant to the method hereinafter described. However, Applicant shall furnish any document pertaining to ownership and title as may be requested by Company including documents which evidence or confirm transfer of possession to Company of good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Applicant.

21. Warranty: Unless otherwise provided in Exhibit B, Applicant warrants to Company that all materials and equipment furnished under this Agreement will be new, and that the Water-Related Facilities will be of good quality, free from faults and defects. Applicant further guarantees the Water-Related Facilities for a period of two (2) years from the date of their acceptance by Company. Should any portion of the Water-Related Facilities need replacement or repair within two (2) years from the date of completion due to construction methods or material failure, Applicant shall replace such portion of the Water-Related Facilities at no cost to Company. If Applicant fails within reasonable time to replace or repair any portion of the Water-Related Facilities deemed to be needed, Company may cause said Water-Related Facilities to be replaced or repaired and Applicant agrees to pay all costs incurred therein; provided, however, if Applicant has obtained a performance bond which has been accepted by Company, Applicant may require Company to first proceed against the bond to remedy defects and deficiencies in construction, materials and workmanship. Any portion of the Water-Related Facilities not conforming to the Agreement, including substitutions not properly approved and authorized, may be considered defective. If required by Company, Applicant shall furnish satisfactory evidence as to the kind and quality of materials and equipment used on the Water-Related Facilities.

22. Insurance: Applicant shall be responsible for purchasing and maintaining the Applicant's usual liability insurance until acceptance of the Water-Related Facilities, including, without limitation commercial general liability with coverage in an amount no less than \$1,000,000/\$1,000,000.

Applicant shall submit to Company proof of the required insurance at such time(s) as deemed appropriate by Company. Applicant shall obtain the above-described insurance from insurance companies which are duly authorized to issue such policies in the State of Arizona, "Best Rated A" or better than the A.M. Best Company. Applicant shall maintain such insurance coverage until all the Work has been completed and the Water-Related Facilities have been accepted in writing by Company.

Company shall not be obligated to review any of the Applicant's Certificates of Insurance, insurance policies or endorsements or to advise Applicant of any deficiencies in such documents and any receipt of copies or review by Company of such documents shall not relieve Applicant from or be deemed a waiver of Company's right to insist on strict fulfillment of Applicant's obligations under this paragraph.

23. Protection of Persons and Property: Applicant shall adopt and require its employees, officers, agents, contractors and subcontractors to adopt every practical means and comply with all laws, ordinances and regulations in order to minimize interferences to traffic, and to avoid inconveniences, discomfort, loss damage and injury to persons and property, including the provision of adequate dust control measures during the construction, installation or connection of the Water-Related Facilities. All obstruction to traffic shall be guarded. Neither Applicant nor any subcontractor shall trespass upon private property. Applicant shall require its contractors to take reasonable measures to protect against injury or damage to pipes, sewer conduits, electrical conduits, lawns, gardens, shrubbery, trees, fences, or other structures or property, public and/or private, encountered in the performance of this Agreement. Company shall not be responsible or liable for any injury or damage to persons or property, directly or indirectly, resulting from the actions or inactions of Applicant, its officers, directors, agents, employees and representatives; including contractors completing the Water-Related Facilities.

24. Indemnification: Applicant shall indemnify and hold harmless Company, its officers, directors, members, agents and employees from and against claims or expenses, including penalties and assessments and attorney's fees to which they or any of them may be subjected by reason of injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence of Applicant, its agents, servants, employees, contractors or subcontractors in the execution of Applicant's obligations under this Agreement or in connection therewith, provided, however, such indemnification shall not extend to claims or expenses arising by reason of the negligence or ~~wilful~~willful misconduct of any of the parties intended to be indemnified. In case any suit or other proceeding shall be brought for which indemnification is required hereunder, Applicant will assume the defense at Applicant's own expense and will pay all judgments rendered therein. The provisions of this Paragraph shall survive termination of this Agreement.

25. Water Service: Upon Applicant complying fully with this Agreement, including receiving Company's written acceptance of the Water-Related Facilities, and obtaining all requisite governmental approvals to sell lots within the Property, Company agrees to offer

domestic water service to the Property. Water service shall be offered in accordance with Company's Articles of Incorporation, By-laws, rules and regulations, and under the tariffs and rules and regulations approved by the ACC, as amended from time to time. This Agreement shall not preclude Company from requiring applications for water service to be executed and complied with prior to the actual delivery of water service to individual lots within the Property.

Applicant is requesting retail potable water service to the Property for domestic use only. **Company does not hereby agree to furnish water for industrial, lake, irrigation, golf course or any other non-domestic purpose, but may do so if so agreed by separate agreement. COMPANY EXPRESSLY DISCLAIMS ANY RESPONSIBILITY OR OBLIGATION TO PROVIDE WATER AT A SPECIFIC PRESSURE OR GALLONS-PER-MINUTE FLOW RATE AT ANY FIRE STANDPIPE, OR FIRE HYDRANT, OR FOR FIRE PROTECTION SERVICE. IN THE EVENT FIRE PROTECTION SERVICE IS INTERRUPTED, IRREGULAR, DEFECTIVE, OR FAILS FROM CAUSES BEYOND THE COMPANY'S CONTROL OR THROUGH ORDINARY NEGLIGENCE OF ITS EMPLOYEES, SERVANTS OR AGENTS, THE COMPANY WILL NOT BE LIABLE FOR ANY INJURIES OR DAMAGES ARISING THEREFROM.** Notwithstanding the foregoing, Company agrees that it will not reduce the specific pressure designed into Applicant's water system by adding additional services or otherwise.

Company shall have no obligation whatsoever to provide service to the Property or any portion thereof, unless and until: Applicant has paid the full cost of the Water-Related Facilities as required hereunder; Applicant has secured all governmental approvals required hereunder or as a condition to the sale and/or occupancy of the subdivided lots; construction of the Water-Related Facilities has been completed and accepted in writing by Company; and with respect to water service to individual lots, Company has been paid all fees, charges, and deposits authorized to be charged by the ACC including, but not limited to, meter and service lines which are not a part of the Water Related Facilities covered by this Agreement.

26. Conservation Requirement: To the extent Applicant contracts for or constructs residences or other water consuming facilities on the Property, Applicant shall make its best efforts to ensure that construction of said residences and facilities incorporates the latest technologies in water conservation consistent with the economic investment therein and limits water using features. Applicant shall include as a part of its recorded covenants, conditions and restrictions on the lots in the subdivision a requirement that each lot purchaser within the Property take all steps reasonably necessary, including restricting outside lawns and vegetation, to limit the total water received from Applicant to the amount of water allocated to the Property on a per lot basis by the Mohave Valley Irrigation and Drainage District.

27. Non-Agents: It is agreed that Company is not an agent for Applicant and shall not incur any costs or expenses on behalf of Applicant and that Applicant is not an agent of Company and shall not incur any costs or expenses on behalf of Company.

28. Communication: Communications hereunder shall be sent to Applicant addressed as follows:

Mr. G. Wayne McKellips, Jr.  
McKellips Land Corporation  
3300 N. Central Avenue, Suite 1900  
Phoenix, Arizona 85012

with a faxed copy to: (602) 277-4507

or to such other addresses or addressees as Applicant may advise Company in writing, and to Company at:

Willow Valley Water Company, Inc.  
c/o Global Water  
~~3800 North Central Avenue~~ 21410 N. 19<sup>th</sup> Ave, Suite ~~500-201~~  
Phoenix, Arizona 85012  
~~ATTN: J. John Mihlik, President~~

with a faxed copy to: (602) ~~224-5455~~ \_\_\_\_\_

or to such other addresses or addressees as Company may advise Applicant in writing.

Any notice to a party under this Agreement shall be in writing, and may be given by personal delivery, facsimile transmission (followed by mailing), recognized overnight courier or mail, and shall be deemed given and effectively served upon delivery, or if mailed, upon mailing provided it is thereafter actually delivered (or refused) and is mailed (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth herein, or to such other address as shall have previously been specified in writing by such party to all parties hereto; provided, however, a notice of change of address for notices shall not be deemed made until actually received. Refusal to accept delivery or to sign a receipt, or the inability to deliver because of a changed address of which no notice previously was given, shall constitute actual receipt. Whenever a party has the right or is required to do some act or give some notice within a prescribed period after the service of a notice or other paper upon that party which was served by mail only, three days shall be added to the prescribed period for response.

29. Assignability: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns and either party may record the Agreement with the County Recorder's office in the county where the Property is located. However, Applicant shall not assign its rights, obligations and interest in this Agreement without the prior written consent of Company and any attempted assignment without such consent shall be void and of no effect; provided, subject to the provisions of Paragraph 7 hereof, Applicant may assign without the consent of the Company its rights to refunds hereunder..

30. Rights and Remedies: The duties and obligations imposed by this Agreement and the rights and remedies available hereunder shall be in addition to and not a





EXHIBIT "A"AA@

Legal Description of Property

Lots 2857 through 56,80, inclusive, Willow Valley Estates 20, Tract 4134-BC, according to the plat thereof recorded \_\_\_\_\_, 2003,2007, in the office of the Mohave County Recorder at Fee No. 0307-\_\_\_\_\_.

**EXHIBIT "B"**

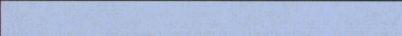
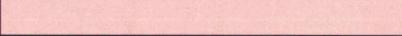
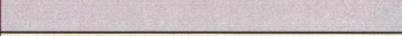
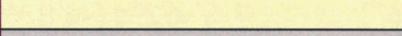
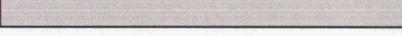
Plans (to be attached when available)

**EXHIBIT "C"**

Engineer's Cost Estimate

Document comparison done by DeltaView on Wednesday, March 14, 2007 2:44:31 PM

Input:	
Document 1	file://C:/WORK/McKellips Land/Willow Valley Water Co/2003 Line Extension Agreement/Line Extension 2003 2.doc
Document 2	file://C:/WORK/McKellips Land/Willow Valley Water Co/2007 Line Extension Agreement/Line Extension 2007 031207.doc
Rendering set	Standard

Legend:	
<u>Insertion</u>	
<del>Deletion</del>	
<del>Moved from</del>	
<u>Moved to</u>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	38
Deletions	32
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	70