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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Beaver Dam Water Company
P.O. Box 550
Beaver Dam, Arizona 86432

August 15, 2012

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

AUG 17 2012

DOCKETED BY *JM*

Beaver Dam Water Company
2012 RATE CASE

Docket No. W-03067A-12-0232

- **Response to Procedural Order received Docket Control July 15, 2012 - Jay Hitchcock's Intervention**

**BEAVER DAM WATER COMPANY
2012 RATE CASE
DOCKET NO. W-03067A-12-0232
RESPONSE TO J. HITCHCOCK INTERVENTION REQUEST June 20, 2012
and Letter Received via US Mail August 6, 2012**

Response provided by: Bob Frisby
Title: President
Company Name: Beaver Dam Water Company
Address: P.O. Box 550
Littlefield, Arizona 88432

Company Responses

**Sent Certified Mail Return Receipt requested 8/13/12
P.O Box 245
Beaver Dam, Arizona 86432**

Questions by Mr. Hitchcock 6/20/2012

The Company to Mr. Hitchcock 6/26/12 the Company had a phone conversation with the Mr. Hitchcock and a from J. Hitchcock received US Mail August 6, 2012

- Q. Are they going to bill us individually as an Association (as they have in the past). Or are they planning to bill us individually as their proposal appears to suggest? Billing as currently done would mean an increase of roughly \$3000 per year divided among the hundred and 170 homes or so. If billed individually the cost to us increase to around \$8,400. I kept the late the current increase proposed by the BDWC would be somewhere between 17% (billed as an Association) and 50% (build individually) depending on what they are really proposing.
- A. *We have enclosed pages 2-3 of the application. The Company believes this is explanation we can offer at this time. (Enclosed Exhibit "A")*
- Q. In 2008 the BDWC rates went from \$1.00 per thousand gallons \$3.15 per thousand gallons. Due to the increasing costs of the homeowners, our park is taken measures to reduce culinary water usage by drilling to Wells for irrigation purposes. This action has significantly reduced BDWC cash flow from our park. I do not consider our actions to save money on culinary water usage to be sufficient justifications for a water rate increase.
- A. *The complaint states "water rates went from \$1.00 per thousand gallons to \$3.15 per thousand gallons". This is incorrect. The previous rate was \$15 per home each month and \$1.50 per thousand gallons to a tiered rate the BDPO is currently being charged \$1,375 per month for a 6 inch meter and from 0 to 600,000 gallons \$3.15 and \$3.75 over 600,000 gallons.*
- Q. I believe the reason the " Test Year of 2011 has been chosen by BDWC is because the flood of December 2010 costs higher than normal expenditures for that year. The Commission should back out the " normal expenditures", those costs associated with the flood. BDWC expenditures were much higher for their "Test Year". Occupancy of Homes

and RV lots were less in 2011 due to the flooding of December 2010 when alot of people left immediately after the flood and did not return until the fall of 2011 decreasing water usage for the" Test Year"

- A. *BDWC has not incurred higher than normal expenditures for the year 2011 enclosed please find correspondence between Jerry De Forest President BDPO and BDWC. Regarding repairs they still need to be made. The Company last Decision 71415 December 9, 2009 required the Company to go in for a rate case July 2012.*

**Letter the BDWC Received from J. Hitchcock US Mail August 6, 2012
"Exhibit "B"**

- Q. *My main concern is that I fail to see any value added to the homeowners by him simply charging the way he bills us. His costs are going to go up needlessly by adding meter readers, office personnel to prepare the bills and keep the paperwork straight. There is also the cost of envelopes and postage to consider plus other administrative costs.*
- A. *The Beaver Dam Resort is a Subdivision Tract 3015 Phases A, B, C & D recorded in Mohave County. Each lot has a deed. Because the lots within the subdivision are of different sizes and varies from Phase to Phase (1750 square feet lots to 5000 square fee Lots) and the dwellings are also of different sizes anywhere from a 40 foot travel trailer (Phase A) with a usage of 70 gallons per day (ADEQ Regulations) to a three bedroom three bath Home totaling more than 1500 square feet (Phase D) and a usage of 420 gallon per day. The Company believes that just as it is not fair for customers outside of the BDPO to pay more water than those within The Association, than it is for a lot owner with a 40 foot travel trailer to pay the same water assessment as a three bedroom home. The company believes this Rate Request will make it more fair for all customers within our CC&N. The Company considered carefully whether to include additional costs because of the increased workload of reading and billing these additional customers. However, the Company is requesting less annual gross income than was approved under the previous rate case by the Commission. We considered carefully requesting additional increases to cover these costs, but because of considerations for the economy we decided against.*
- Q. *We also do not need the portion of mainline that was lost in the flood. That would be a total waste of money. The people I have talked to never intend to try to reclaim their lots anyway.*
- A. *The Company owns the Main waterlines within the subdivision. We have enclosed Correspondence March 2 2011, and March 14, 2011 and March 28, 2011 between the Company and the BDPOA, President Jerry De Forest (Exhibit "C") wherein the Company explains individual metering. Although Mr. Hitchcock does not believe the lot owners will reclaim their lot the Company has executed an" unconditional agreement" (Exhibit "D") wherein the company is responsible to maintain mainlines to each of the lots. The waterlines within the flood area need to be replaced to meet the engineering requirements for proper fire protection for the homes and to eliminate dead end lateral waterlines for proper circulation.*

Exhibit "A"

ATTACHMENT 3A

BEAVER DAM WATER COMPANY

EXPLANATION OF NEED FOR A RATE INCREASE

In accordance with the provisions of Arizona Administrative Code R-14-2-103(B)(6), the Company is requesting a waiver of the requirement to file Appendix Schedules A through H and instead proposes to file this "short form" rate application for water companies with annual gross operating revenues (including requested rate relief) of less than \$250,000. The Company is making a concerted effort to control the rate case expense borne by its rate payers believes the filing requirements for a Class C utility as well as the burdens of at least two rounds of testimony and a hearing as are typical in Class C rate cases present an undue burden and cost to the Company and its rate payers. The Company estimates that it will cost at least 3 to 4 times the amount of rate case expense the Company is currently seeking in this case if it is required to conform to the Class C filing requirements and the Class C rate case protocol. The Company has found it necessary to hire Mr. Thomas J. Bourassa, CPA to assist the Company with the preparation of the application, determination of the revenues requirement, and help with the rate design, etc. Mr. Bourassa will also be available to advise and assist the Company as the rate case progresses.

The Company is seeking a rate increase at this time primarily because the anticipated revenue from the last rate case did not materialize. Besides the detrimental impact on the Company's financial condition, the loss of revenues has resulted in the Company falling out of compliance with its Water Infrastructure Financing Authority ("WIFA") loan agreement which requires the Company to maintain a debt service coverage ratio ("DSCR") of at least 1.20. Attached is a letter from WIFA stating that the Company is out of compliance.

ATTACHMENT 3A

With respect to the revenue loss, in the prior rate case (Decision 71415, December 8, 2009) the authorized revenue requirement was \$365,129. The actual test year revenue is approximately \$100,000 less at \$265,965. Approximately 66% of the \$100,000 revenue loss can be attributed to lower water sales to Beaver Dam Property Owner's Association ("BDPOA") currently billed as one 6 inch meter. Another 15% of the revenue loss is due the reduction in bulk water sales. Remaining revenue loss is due to lower water usage among the largest customer class, the 5/8x3/4 inch residential class. In the prior test year (12 months ended December 31, 2007) the average monthly usage for the 5/8x3/4 inch residential customer was 15,279 gallons. In the instant case the average monthly usage for the 5/8x3/4 inch customer class is 6,577 gallons.

The Company total adjusted test year operating expenses (excluding income taxes) is lower than the level of operating expenses authorized in the prior rate case by approximately \$12,000. The Company seeks to increase revenues to achieve a revenue requirement of approximately \$354,000 which is less than the revenue requirement of approximately \$366,000 authorized in the prior rate case. The increase in revenue will provide for a rate of return on rate base of approximately 6.44% - less than the 8% return granted by the Commission in the prior rate case. The operating margin based upon the Company's proposed revenue and expenses will be approximately 6.3% - well below the generally accepted 10% minimum for small water utilities. The Company is requesting a lower rate of return in order to help minimize the impact of the rate increase on rate payers.

In the instant case the Company is seeking to separately bill the approximately 185 residential units associated with the BDPOA. As already, mentioned, the BDPOA is currently billed as one 6 inch meter and the 185 units are then billed separately and equally by the BDPOA. Based in the test year and 185 units, each unit's share was approximately \$11.32. This amount is approximately 40% of the current monthly minimum of \$27.50 of similarly situated 5/8x3/4 inch residential customers who are not

Beaver Dam Water Company Inc.

***P.O. Box 550 Beaver Dam , AZ 86432
1-928-347-5000 Facsimile 1-928-347-5003***

February 10, 2011

Beaver Dam Property Owners Assn.

Jerry DeForest
President
Beaver Dam Property Owners Association
P.O. Box 485
Beaver Dam, AZ 86432

Re: Reconstruction Water Lines Beaver Dam Resort Tract 3015D

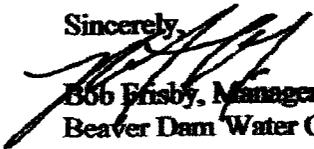
Jerry:

We would like to help however we can in the reconstruction efforts. Because Beaver Dam Water Company owns the waterlines and is responsible for the maintenance of them it will be our responsibility to replace them at know cost to the BDPO. The road sub grade should be in and compacted. My experience has been that because the main sewer lines are deeper they should be put in place first.

BDWC believes that the work recent work done to protect Park Place Rd by Mohave County and the NRCS near the bridge was the reason our water lines were washed out. We would like to know what is being done to protect the water lines from being washed out again.

Let me know how I can help further.

Sincerely,


Bob Ensbey, Manager
Beaver Dam Water Company

BEAVER DAM PROPERTY OWNERS ASSN.

PO BOX 485

BEAVER DAM, AZ 86432

BEAVER DAM WATER

PO BOX 550

BEAVER DAM, AZ 86432

GENTLEMEN:

THE DECEMBER 2010 FLOOD WAS A CATASTROPHIC EVENT FOR RESIDENTS OF BEAVER DAM. THE BEAVER DAM WATER COMPANY PROVIDES WATER SERVICES TO THE BEAVER DAM RESORT. THE NETWORK OF PIPING WAS SEVERLY DAMAGED AND, IN SOME CASES, COMPLETELY WASHED AWAY. I WOULD LIKE TO THANK YOU FOR THE PROMPT ACTION AND REPAIR WHICH ALLOWED RESIDENTS TO REMAIN IN THEIR HOMES.

TO ENSURE RECONSTRUCTION EFFORTS ARE SUCCESSFUL, WE MUST WORK TOGETHER. THE BEAVER DAM PROPERTY OWNERS ASSOCIATION, REPRESENTING BEAVER DAM RESORT, IS DEVELOPING A PLAN TO RECONSTRUCT ROADWAYS AND OTHER COMMON ELEMENTS. PRIOR TO COMPLETING THIS PROCESS, IT IS ESSENTIAL THAT PERMANENT REPAIRS TO THE WATER SYSTEM ARE COMPLETED TO AVOID FURTHER COST AND SERVICE ISSUES. PLEASE ADVISE WHAT YOUR PLAN AND TIMELINE IS TO PERMANENTLY REPLACE THE FACILITIES, IF ANY, THAT WOULD BE BURIED IN THE ROADWAY PATHS.

ADDITIONALLY, CAN YOU CLARIFY WHAT RESPONSIBILITY PROPERTY OWNERS MAY HAVE IN THIS PROCESS? THAT IS, WILL THERE BE HOOK-UP FEES, WILL THEY BE RESPONSIBLE FOR ANY PART OF THE SERVICE LINE RUNNING TO THEIR LOT, ETC.

THANK YOU FOR HELPING MAKE OUR RECONSTRUCTION EFFORTS A SUCCESS. I LOOK FORWARD TO YOUR RESPONSE.

SINCERELY,


JERRY DEFOREST, PRESIDENT

BEAVER DAM PROPERTY OWNERS ASSOCIATION

BEAVER DAM PROPERTY OWNERS ASSN.

PO BOX 485

BEAVER DAM, AZ 86432

BEAVER DAM WATER

PO BOX 550

BEAVER DAM, AZ 86432

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THANK YOU FOR HELPING MAKE OUR RECONSTRUCTION EFFORTS A SUCCESS. I LOOK FORWARD TO YOUR RESPONSE.

SINCERELY,


JERRY DEFOREST, PRESIDENT

BEAVER DAM PROPERTY OWNERS ASSOCIATION

Beaver Dam Water Company Inc.

***P.O. Box 550 Beaver Dam , AZ 86432
1-928-347-5000 Facsimile 1-928-347-5003***

February 10, 2011

Beaver Dam Property Owners Assn.

**Jerry DeForest
President
Beaver Dam Property Owners Association
P.O. Box 485
Beaver Dam, AZ 86432**

Re: Reconstruction Water Lines Beaver Dam Resort Tract 3015D

Jerry:

We would like to help however we can in the reconstruction efforts. Because Beaver Dam Water Company owns the waterlines and is responsible for the maintenance of them it will be our responsibility to replace them at know cost to the BDPO. The road sub grade should be in and compacted. My experience has been that because the main sewer lines are deeper they should be put in place first.

BDWC believes that the work recent work done to protect Park Place Rd by Mohave County and the NRCS near the bridge was the reason our water lines were washed out. We would like to know what is being done to protect the water lines from being washed out again.

Let me know how I can help further.

Sincerely,

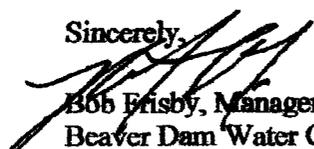

**Bob Frisby, Manager
Beaver Dam Water Company**

Exhibit "B"

received 8/6/12 us mail

July 28, 2012

Dear Commissioners

I have talked to Bob Frisby and received a letter from him stating some of his rationale, but I still have issues with his proposal that he will not answer. My main concern is that I fail to see any value added to the homeowners by him simply changing the way he bills us. His costs are going up needlessly by adding meter readers, office personnel to prepare the bills, and keep the paperwork straight. There is also the cost of envelopes and postage to consider plus other administrative costs.

If this proposal is approved, we will still get the same service that we currently receive, but with a 50%+ increase in our water rates. Only Bob Frisby could think that is fair to us senior citizens.

I fail to see why such an increase could even be considered when the economy is in such turmoil. We are talking about a 55+ community where we are all on fixed incomes and are hit the hardest by the economic downturn.

We also do not need the portion of main line that was lost in the flood replaced. That would totally be a waste of money. The people I have talked to never intend to try and reclaim their lots anyway. There are simply too many things working against anyone who would propose rebuilding in that area. For starters, I can't imagine them getting a building permit if they applied. That area was totally destroyed by the flood of 2010.

My thought is that this proposal was not thought out very well, and a feasibility study should be performed before any rate increase is considered. It seems to me that this is simply a way to make a quick buck off a captive audience. If this proposal is approved, we may be forced to seek water from other sources. Either contract with another company or start our own water company, as his proposal is totally unacceptable to this community and is unnecessary.

We currently have two irrigation wells which tested safe for drinking water. It appears that Mr. Frisby's loss of revenue from our owners drilling our own irrigation wells in 2009 is the main reason he is seeking a rate increase at this time. Before 2009 we got all our irrigation water from his company. Another well is not out of the realm of possibility as a last resort. *fr*

We would be happy to continue with the current setup, with a minimal increase of say 10% or so in rates if that is what is necessary. The single meter system works well for our community, and I see no reason to add unnecessary costs to the homeowners or the water company by going to separate meters for each lot.

Thank you



Jay Hitchcox

Exhibit "C"

Beaver Dam Water Company Inc.

***P.O. Box 550 Beaver Dam , AZ 86432
1-928-347-5000 Facsimile 1-928-347-5003
"serving the area for over 24 years"***

March 14, 2011

Jerry De Forest, President
Beaver Dam Property Owners Association
C/O Community Association Management
410 E Tabernacle St, Suite B
St. George, UT 84770

RE: Beaver Dam Resort Water Meter Installation, Phase 1

Dear Mr. De Forest,

I will Attempt to summarize the history story and dialogue concerning water within your community as follows;

The Beaver Dam Resort (phase1- 45 lots) was originally built as a rental RV Park in 1986 at which time the BDWC was given a certificate of convenience and necessity from the Arizona Corporation Commission at which time the master meter that you are currently using was and is the approved tariff. In 1987 the developer (Beaver Dam Development) went to Mohave County and requested that the rental RV Park be subdivided as Beaver Dam Resort, phase 1. Mohave County approved and recorded the enclosed plat August 10th 1987. Subsequently, additional phases had been added with different types of structures. As you are aware phase 1 is for recreational vehicles no larger than 399 ft., phase 2 had two bedroom modular homes with 2 bathrooms and almost double the size lot area, phase 3 was built and finally phase 4 which were even larger lots with up to 3 bedrooms and 3 baths. All these phases 2-4 were constructed with an individual water meter..

1. *Is it your understanding beaver dam water company, prior to installation of water meters, need utility commission approval?*

BDWC believes that we will need commission approval prior to billing individual lot owners. However, BDWC will be performing this work prior to requesting approval from the commission and will be doing all work within easements provided as per the attached recorded plat. For your convenience I will include the note regarding public utility easements as follows:

NOTE: PUBLIC UTILITIES EASEMENTS (P.U.E.'s) ARE TYPICALLY 15.00' WIDE AND POSITIONED 7.50' BOTH SIDES OF CENTERLINE WHICH IS 7.50' INSIDE OF AND PARALLEL TO THE BACK LOT LINE; ALSO, P.U.E.'s TYPICALLY 5.00' WIDE ARE LOCATED 2.50' BOTH SIDES OF ALL LOT LINES;

PARCELS "A" & "B" ARE TO BE OPEN AREAS FOR PRIVATE WALKWAYS & LANDSCAPING; PARCELS "C" & "D" ARE TO BE OPEN AREAS FOR LANDSCAPING; Parcel "E" WILL BE PRIVATE STREET; PARCEL "F" WILL CONTAIN THE COMMON SEPTIC TANK & DRAINFIELD FOR PHASE 1.

ALL PARCELS "A" THROUGH "F" SHALL BE DESIGNATED PUBLIC UTILITY EASEMENTS AND DRAINAGE EASEMENTS.

2. *What are the ramifications, if any, to the BDPOA and/or individual lot owners that meters are installed?*

BDWC does not determine billing rates this is up to the commission. However, we believe that it may be more convenient for some to be able to turn the water off on the months that they are not occupying the property and that they would only be charged for what they used.

3. *Will meter installation have any impact on water rates and billings to BDPO ad/or individual lot owners.*

This is a question for the commission.

4. *If water meters are installed, will Beaver Dam Water Company maintain and repair all domestic water lines and meters and restore roads and surfaces for such repairs?*

BDWC has always maintained its water lines and meters within easements of the Beaver Dam Resort. However, the proposed work will not require any road surfaces to be repaired the water meter will be installed behind the curb within the easements. BDWC will replace any driveways that have been placed over the easement. Water service will not be off for more than 1 hour and proper notice will be given the property owner not to cause an inconvenience.

Because the lots within the BDPO are now all subdivided lots (not a rental), privately owned with varying sizes of the homes and trailers which all have different water demands. It is only fair that they pay for what they use. BDWC has worked with the various boards that wanted individual water meters installed in phase 1 and were willing to pay up to \$10,000 as a co-pay to cover the cost of this installation. BDWC will be installing these meters in the coming week and will then request individual meter billing to the Arizona Corporation Commissions. The BDPO will receive a public notice. This process generally will take up to 1 year to complete.

Please contact me if you have any additional concerns.

Sincerely,

Bob Frisby, Manager
Beaver Dam Water Company

Exhibit “D”

ARIZONA DEPARTMENT OF HEALTH SERVICES • Environmental Health Services • Bureau of Water Quality Control
2005 N. Central Avenue, Rm. 300 - Phoenix, AZ 85004

WATER SERVICE AGREEMENT AND SEWER SERVICE AGREEMENT

To be filled out and signed, where appropriate, and submitted with application.

WATER SERVICE AGREEMENT - An unconditional agreement which is effective this date has been made between the owners of:

BEAVER DAM HOME OWNERS ASSOCIATION
NAME OF SUBDIVISION

and the BEAVER DAM WATER COMPANY
NAME OF WATER SYSTEM OR MUNICIPALITY

to provide water service to each and every lot in accordance with the design shown on the attached plats of the subdivision.

The undersigned hereby agrees to inspect this project during construction to assure compliance with plans and specifications approved by the Arizona Department of Health Services and upon completion shall be responsible for maintenance and operating the system.

Date 7/19/87 Name Robert Fersby [Signature]
TYPE OR PRINT SIGNATURE
Title OWNER BEAVER DAM HOME OWNERS
Address P.O. Box 1080
City MCSQUITE Nev. 89029

WATER SERVICE AGREEMENT AND SEWER SERVICE AGREEMENT

To be filled out and signed, where appropriate, and submitted with application.

WATER SERVICE AGREEMENT - An unconditional agreement which is effective this date has been made between the owners of:

Beaver Dam Resort-Phase II-Construction Part A

NAME OF SUBDIVISION

and the Beaver Dam Water Comp.

NAME OF WATER SYSTEM OR MUNICIPALITY

to provide water service to each and every lot in accordance with the design shown on the attached plats of the subdivision.

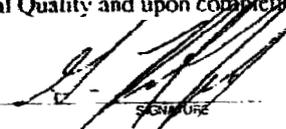
The undersigned hereby agrees to inspect this project during construction to assure compliance with plans and specifications approved by the Arizona Department of Environmental Quality and upon completion shall be responsible for maintenance and operating the system.

Date

1/28/92

Name G.R. Frisby

TYPE OR PRINT



SIGNATURE

Title General Manager

Address P.O. Box 260

City Beaver Dam, AZ 86432

00 04-88 22.01 FAX 15203475003
JUN-04-99 12:41 PM LEBLIE & ASSOC.

0848468

@02
P-01

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY, WATER QUALITY DIVISION
3030 N. Central Avenue, Phoenix, Arizona 85012

WATER SERVICE AGREEMENT AND SEWER SERVICE AGREEMENT

WATER SERVICE AGREEMENT - An unconditional agreement which is effective this date has been made between the owners of:

Banner Don Rural Tract 30158
OWNER

and the

Banner Don Water 1
NAME OF WATER SYSTEM OR MUNICIPALITY

to provide water service to each and every lot in accordance with the design shown on the attached plats of the subdivision.

The undersigned hereby agrees to inspect this project during construction to assure compliance with plans and specifications approved by the Arizona Department of Environmental Quality and upon completion shall be responsible for maintenance and operating the system.

Date: 6-4-99

Name:

[Signature]
TITLE [Signature]
INITIALS

Title

Address

City

Manager
Route 550
Banner Don AZ Zip Code: 85032

WATER SERVICE AGREEMENT AND SEWER SERVICE AGREEMENT

WATER SERVICE AGREEMENT - An unconditional agreement which is effective this date has been made between the owners of

Beaver Dam Resort - Phase IV, Tract 3015-D
NAME OF SUBDIVISION

and the Beaver Dam Water Company - PWS #08-311
NAME OF WATER SYSTEM OR MUNICIPALITY

to provide water service to each and every lot in accordance with the design shown on the attached plats of the subdivision.

The undersigned hereby agrees to inspect this project during construction to assure compliance with plans and specifications approved by the Arizona Department of Environmental Quality and upon completion shall be responsible for maintenance and operating the system.

Date 6/18/02 Name _____
TYPE OR PRINT SIGNATURE

Title President

Address P.O. Box 550

City Beaver Dam, AZ Zip Code 86432