



0000156404

BEFORE THE ARIZONA CORPORATION COMMISSION  
AZ CORP COMMISSION

1  
2 CARL J. KUNASEK  
CHAIRMAN  
3 JIM IRVIN  
COMMISSIONER  
4 RENZ D. JENNINGS  
COMMISSIONER

Oct 29 4 19 PM '97

NEW APPLICATION

DOCUMENT CONTROL

5  
6 IN THE MATTER OF THE APPLICATION OF )  
CITIZENS UTILITIES COMPANY FOR (1) )  
7 APPROVAL OF THE AGREEMENT FOR THE )  
VILLAGES AT DESERT HILLS WATER/ )  
8 WASTEWATER INFRASTRUCTURE, AND )  
(2) APPROVAL OF FORMATION OF )  
9 SUBSIDIARIES.

DOCKET NO. E-1032-97-599

10  
11 IN THE MATTER OF THE APPLICATION OF )  
CITIZENS WATER SERVICES COMPANY )  
OF ARIZONA FOR (1) A CERTIFICATE OF )  
12 CONVENIENCE AND NECESSITY TO )  
PROVIDE POTABLE WATER AND WASTE- )  
13 WATER SERVICES TO THE VILLAGES AT )  
DESERT HILLS, (2) APPROVAL OF THE )  
14 AGREEMENT FOR THE VILLAGES AT )  
DESERT HILLS WATER/WASTEWATER )  
15 INFRASTRUCTURE, INCLUDING THE )  
INITIAL RATES SET FORTH IN EXHIBIT D )  
16 THERETO, AND (3) APPROVAL OF THE )  
WATER/WASTEWATER PURCHASE )  
17 AGREEMENT.

DOCKET NO. U-3454-97-599

DOCKET NO. U-97-

Arizona Corporation Commission  
**DOCKETED**

OCT 29 1997

DOCKETED BY CW

18  
19 IN THE MATTER OF THE APPLICATION OF )  
CITIZENS WATER RESOURCES COMPANY )  
OF ARIZONA FOR (1) A CERTIFICATE OF )  
20 CONVENIENCE AND NECESSITY TO )  
PROVIDE POTABLE WATER AND WASTE- )  
21 WATER TREATMENT AND DISPOSAL )  
SERVICES TO CITIZENS WATER SERVICES )  
22 COMPANY OF ARIZONA AND NON- )  
POTABLE WATER DISTRIBUTION )  
23 SERVICES TO CITIZENS WATER SERVICES )  
COMPANY OF ARIZONA AND OTHERS, )  
24 (2) APPROVAL OF THE AGREEMENT OF )  
THE VILLAGES AT DESERT HILLS WATER/ )  
25 WASTEWATER INFRASTRUCTURE, )  
INCLUDING THE INITIAL RATES SET FORTH )  
26 IN EXHIBIT D THERETO, AND (3) APPROVAL )  
OF THE WATER/WASTEWATER PURCHASE )  
27 AGREEMENT.

DOCKET NO. U-3455-97-599

DOCKET NO. U-97-

JOINT APPLICATION

0000156404

1 Citizens Utilities Company ("Citizens"), Citizens Water Services Company of Arizona  
2 ("DistCo") and Citizens Water Resources Company of Arizona ("TreatCo") submit this Joint  
3 Application to the Arizona Corporation Commission ("Commission") for all of the following:<sup>1</sup>

- 4 1. Issuance of a Certificate of Convenience and Necessity ("Certificate" or "CC&N")  
5 to DistCo authorizing it to provide potable water and wastewater public utility  
6 services to a planned community development known as The Villages at Desert  
7 Hills ("Project").
- 8 2. Issuance of a CC&N to TreatCo authorizing it to provide potable water and  
9 wastewater treatment and disposal services to DistCo and non-potable water  
10 distribution services to the Project.
- 11 3. Approval of the Agreement for The Villages at Desert Hills Water/Wastewater  
12 Infrastructure ("Agreement"), between DistCo, TreatCo, Del Webb Corporation  
13 ("Webb") and The Villages at Desert Hills, Inc. ("Developer"), including the initial  
14 rates set forth in Exhibit D thereto.
- 15 4. Approval of the Water/Wastewater Purchase Agreement ("Purchase Agreement")  
16 between DistCo and TreatCo.
- 17 5. Approval of the formation of DistCo and TreatCo as wholly-owned subsidiaries  
18 of Citizens and, in connection therewith, issuance of such additional approvals  
19 as may be required under A.C.C. R14-2-803(A) and R14-2-804(B).

20 Joint Applicants' request for the issuance to DistCo of a CC&N (items 1 and 2 above) is  
21 expressly conditioned on the Commission's approval of items 3, 4 and 5 above without  
22 amendment or modification.

23 In support of this Joint Application, Citizens, DistCo and TreatCo state as follows:

24  
25  
26  
27 <sup>1</sup> Under the terms of the Agreement and the Purchase Agreement, Commission  
28 approvals (without amendment or modification) are conditions subsequent to the  
effectiveness of those agreements. In addition, the issuance and approval of less than all  
of these items enables termination of the Agreement and the Purchase Agreement.

**INTRODUCTION**

**1.**

Citizens, a Delaware corporation, is a diversified public utility which, through operating divisions or subsidiaries, provides communications, electric, gas, water, and wastewater service to approximately 1.8 million customers in 20 states, including Arizona. Under authority granted by the Commission, Citizens provides water and wastewater utility services to the public in portions of Maricopa County, Arizona, and water utility services to a portion of Mohave County, Arizona.

**2.**

DistCo is a newly-formed Arizona corporation and wholly-owned subsidiary of Citizens. DistCo will provide water and wastewater utility services (specifically, potable water distribution and wastewater collection services) to the public in Arizona.

**3.**

TreatCo is a newly-formed Arizona corporation and wholly-owned subsidiary of Citizens. TreatCo will provide potable water and wastewater treatment services (including effluent disposal, sale and reuse) and non-potable water distribution services to DistCo and others in Arizona.

**4.**

Developer, an Arizona corporation and wholly-owned subsidiary of Webb, proposes to develop a new planned community in Maricopa County, Arizona, to be known as The Villages at Desert Hills (the "Project").

**5.**

Webb, a Delaware corporation, is a nationally-recognized developer of master-planned communities, including Sun City, Sun City West, Sun City Grand and other areas in the metropolitan Phoenix, Arizona area. Citizens, through existing subsidiaries, provides water and wastewater service to the Sun City communities. Webb, under a 100-year water lease, has obtained certain water rights from the Ak-Chin Indian Community and the United States of America (the "Ak-Chin Water") that will serve as the source of water for the Project and that

1 | thereby will facilitate development of the Project. A copy of the water lease is attached as  
2 | Exhibit G to the Agreement (which is Attachment 3 to this Joint Application).

3 | **6.**

4 | The Project will be developed on 5,661 acres north of Phoenix, Maricopa County,  
5 | Arizona, adjacent to Interstate 17 approximately 20 miles from downtown Phoenix. As currently  
6 | planned, the Project will consist of a mix of residential housing units, multi-family units,  
7 | commercial establishments, schools and other users totaling up to 14,500 equivalent residential  
8 | units ("ERUs"). Approximately 4,756 acres of the Project is located east of Interstate 17 in  
9 | unincorporated Maricopa County. The remaining approximately 905 acres of the Project is  
10 | located within the municipal boundaries of the City of Phoenix, Arizona. The legal description  
11 | of the Project, including that portion of the Interstate 17 right-of-way dividing the Project, is  
12 | attached as Attachment 1. A map depicting the proposed Project as of August 1, 1997, is  
13 | attached as Exhibit E to the Agreement (which is Attachment 3 to this Joint Application).

14 | **7.**

15 | As a proposed new community, the Project has no existing water and wastewater  
16 | infrastructure and, thus, is not being served by (and is not in the certificated area of) any other  
17 | water or wastewater public service corporation.

18 | **8.**

19 | In entering the Agreement and making this Joint Application, Joint Applicants are  
20 | responding to the need for water and wastewater services in the Project. A significant amount  
21 | of water and wastewater infrastructure (including an approximately 9-mile pipeline that will  
22 | transport the Ak-Chin Water from the Central Arizona Project canal to the water treatment  
23 | campus for the Project) is required to be constructed and in place before serving the first  
24 | customer in the Project.

25 | **INFRASTRUCTURE AGREEMENT**

26 | **9.**

27 | As of September 29, 1997, Citizens, DistCo, TreatCo, Webb and Developer entered into  
28 | the "Agreement for The Villages at Desert Hills Water/Wastewater Infrastructure" (the

1 "Agreement").<sup>2</sup> The Agreement contemplates that:

- 2 a. DistCo will provide potable water distribution and wastewater collection services  
3 for the Project and, to that end, will obtain any necessary governmental  
4 authorizations (including a CC&N from the Commission).
- 5 b. TreatCo will provide water and wastewater treatment services (including effluent  
6 disposal, sale and reuse) that will enable the provision of potable water  
7 distribution and wastewater collection services by DistCo and the provision of  
8 non-potable water distribution services by TreatCo and, to that end, will obtain  
9 any necessary governmental authorizations (including a CC&N from the  
10 Commission).
- 11 c. Webb will sell to TreatCo the untreated Ak-Chin Water that will enable TreatCo  
12 and DistCo to provide the services contemplated by the Agreement. A summary  
13 regarding the Ak-Chin Water is attached as Attachment 11.
- 14 d. The "backbone" transportation facilities and the initial phase of the  
15 water/wastewater infrastructure will be constructed under the direction of  
16 Developer, while the subsequent phases of the infrastructure will be constructed  
17 under the direction of TreatCo.
- 18 e. Citizens, through advances in aid of construction ("AIAC") to TreatCo, will fund  
19 up to \$24 million of the costs associated with obtaining the Ak-Chin Water from  
20 Webb and constructing the water/wastewater infrastructure. Webb and  
21 Developer will fund the balance of those costs. The parties will be reimbursed for  
22 those costs by the reimbursement and refunding mechanisms set forth in the  
23 Agreement.

24 An Executive Summary of the Agreement is attached as Attachment 2. A copy of the  
25 Agreement is attached as Attachment 3.

26

27 \_\_\_\_\_  
28 <sup>2</sup> Citizens, Webb and Developer signed the Agreement on September 29, 1997, and  
DistCo and TreatCo signed it on October 3, 1997.

10.

As provided in Section 8.16 of the Agreement, before DistCo is required to provide potable water distribution and wastewater collection services to a specific subdivision or commercial property, each applicable builder (the "Builder") will be required to enter into a Water Facilities Line Extension Agreement and a Wastewater Facilities Line Extension Agreement with DistCo (the "LXAs"). The LXAs are to be substantially in the form attached as Exhibit J to the Agreement and in accordance with DistCo's then current tariffs and rules and regulations approved by the Commission. The LXAs provide for construction of the portion of the water/wastewater facilities serving the specific subdivisions or commercial property, including the potable water distribution system and the wastewater collection system (but excluding the "backbone" transportation facilities and the production/treatment facilities).

11.

Joint Applicants submit that the Agreement is reasonable and in the public interest and should, therefore, be approved by the Commission.

**WATER/WASTEWATER PURCHASE AGREEMENT**

12.

As required by Section 5.1 of the Agreement, as of September 29, 1997, DistCo and TreatCo entered into a "Water/Wastewater Purchase Agreement" (the "Purchase Agreement").<sup>3</sup> The Purchase Agreement provides for (a) the transfer by TreatCo to DistCo of potable water for resale for the purpose of DistCo's providing water and wastewater utility services in the Project, and (b) the transfer by DistCo to TreatCo of water derived within the Project for treatment and disposal or reuse. A copy of the Purchase Agreement is attached as Attachment 4.

13.

Under the terms of the Purchase Agreement, TreatCo will transfer to DistCo potable water for resale, for the purpose of enabling DistCo to provide water and wastewater utility

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<sup>3</sup> DistCo and TreatCo signed the Purchase Agreement on October 3, 1997.

1 services in accordance with the Agreement and in quantities sufficient to meet the demands of  
2 DistCo's customers. In addition, DistCo will transfer to TreatCo for treatment and disposal, sale,  
3 recharge or reuse all wastewater in accordance with the Agreement. In consideration for the  
4 potable water and the wastewater transferred under the Purchase Agreement, DistCo will pay  
5 TreatCo an amount determined in accordance with rates approved by the Commission. Under  
6 the Purchase Agreement, TreatCo's rates will not exceed the rates set forth in Section 4.5 of  
7 the Purchase Agreement for the three-year period beginning on the date DistCo first supplies  
8 water to a residential customer. The beneficial rates to be experienced by DistCo are based  
9 upon TreatCo's assumption of certain risks, including:

- 10 a. TreatCo's funding of up to \$24 million of water/wastewater facilities for the Project  
11 as provided in the Agreement.
- 12 b. A guarantee that TreatCo and DistCo will not return to the Commission for rate  
13 relief during the first three years rates are in effect.
- 14 c. A guarantee that rates of return earned by DistCo and TreatCo will be capped for  
15 the initial rate period (not less than three years) after service commences, subject  
16 to refund if rates of return exceed the specified levels.
- 17 d. A guarantee that rates charged to DistCo for treatment services will not exceed  
18 specified levels until the Project is substantially completed, regardless of how  
19 slowly customers are actually added, subject to the parameters set forth in the  
20 Purchase Agreement.
- 21 e. Use of a deferred method (based on customer additions) to calculate and recover  
22 depreciation expense on TreatCo's facilities that are built to transport, treat and  
23 deliver water and to collect and treat wastewater.

24 **14.**

25 As affiliates of each other and in light of the Purchase Agreement and the Agreement,  
26 each Joint Applicant will provide the Commission access to its books and records under A.A.C.  
27 R14-2-804(A).  
28

15.

Joint Applicants submit that the Purchase Agreement is reasonable and in the public interest and should, therefore, be approved by the Commission.

**CERTIFICATES OF CONVENIENCE AND NECESSITY**

16.

Joint Applicants request that (i) DistCo be issued a CC&N authorizing it to provide potable water and wastewater utility services to the Project, and (ii) TreatCo be issued a CC&N authorizing it to provide potable water and wastewater treatment and disposal services to DistCo and non-potable water distribution services to DistCo and others. In support of that request, Joint Applicants provide the following information required by A.A.C. R14-2-402(A)(2):

- a. The principal business address of both DistCo and TreatCo is 15626 North Del Webb Boulevard, Sun City, Arizona 85351. The officers of both DistCo and TreatCo are: Mr. Daryl A. Ferguson, President; Mr. Robert DeSantis, Vice President and Treasurer; Mr. Ronald E. Walsh, Vice President; and Mr. Charles J. Weiss, Secretary.
- b. Copies of DistCo's Articles of Incorporation and Bylaws are attached as Attachment 5. Copies of TreatCo's Articles of Incorporation and Bylaws are attached as Attachment 10.
- c. The type of plant, property, or facilities to be constructed is described in Attachment 6.
- d. A complete description of the facilities is set forth in Attachment 6.
- e. The initial rates proposed to be charged by DistCo and TreatCo, respectively, are set forth in Attachment 13.
- f. The estimated total cost of the proposed construction is described in Attachment 2.
- g. The manner of capitalization and method of financing is discussed in paragraph (h) below.
- h. For ratemaking purposes, and consistent with Commission practice with respect

1 to previous Citizens' applications, all funds necessary for commencing operation  
2 of DistCo's and TreatCo's proposed services will be provided by their parent  
3 company, Citizens, which is financially sound and has the financial resources to  
4 undertake this project. A copy of Citizens' 1996 Annual Report to Shareholders  
5 is attached as Attachment 7.

- 6 i. Estimated revenues and expenses are discussed in Attachment 2.
- 7 j. The estimated starting date of the proposed construction is 1998 and the  
8 expected completion date for the Project is 2017.
- 9 k. A color-coded map of the proposed service area is attached as Attachment 8.  
10 DistCo's and TreatCo's service areas are the same, but their services are  
11 different: DistCo is to provide potable water and wastewater utility services to the  
12 Project, while TreatCo is to provide potable water and wastewater treatment and  
13 disposal services to DistCo and non-potable water distribution services to DistCo  
14 and others.
- 15 l. Appropriate city, county and/or state agency approvals will be obtained for each  
16 phase of construction, as discussed in Attachment 6. Within 30 days of the filing  
17 of this Joint Application, DistCo and TreatCo will make a filing with Maricopa  
18 County, Arizona ("Maricopa County") to obtain franchises for the approximately  
19 4,756 acres of the Project within unincorporated Maricopa County. With respect  
20 to the portion of the Project located within the municipal boundaries of the City of  
21 Phoenix, Arizona ("Phoenix") the Office of the City Manager of Phoenix has  
22 indicated by letter dated November 14, 1995 (a copy of which is attached as  
23 Attachment 11) that it would recommend to the City of Council that the portion of  
24 the Project within Phoenix be served by the same integrated water and  
25 wastewater system that serves the remainder of the Project. Within 30 days of  
26 the filing of this Joint Application, DistCo and TreatCo will formally request that  
27 Phoenix grant the appropriate authority to DistCo and TreatCo (whether by  
28 means of operating agreements or otherwise). DistCo and TreatCo anticipate

1 that the approvals of Maricopa County and Phoenix would be obtained with 90  
2 to 120 days after requested by DistCo and TreatCo.

3 m. The estimated number of customers to be served by the Project, up to 14,500  
4 ERUs, is discussed in Attachment 2.

5 n. Joint Applicants' request for the issuance of CC&Ns is expressly conditioned on  
6 the Commission's approval of the Agreement and the Purchase Agreement  
7 without amendment or modification. If the Commission does not provide these  
8 approvals, Joint Applicants reserve the right to withdraw their request for  
9 issuance of the Certificates.

10 **17.**

11 Joint Applicants will provide notice of this Joint Application to Developer and the Arizona  
12 Department of Transportation, the only property owners within the area sought for certification.  
13 An affidavit that notice has been duly provided (or a written waiver of notice) will be filed with  
14 the Commission as soon as the notification has been completed (or written waiver of notice has  
15 been received).

16 **FORMATION OF DISTCO AND TREATCO**

17 **18.**

18 Citizens requests Commission approval under A.C.C. R14-2-803(A) and R14-2-804(B)  
19 of the corporate reorganization in forming and funding DistCo and TreatCo as wholly-owned  
20 subsidiaries of Citizens. In support of that request, Citizens provides the following information  
21 required by A.A.C. R14-2-803(A):

22 a. The names and business addresses of the officers and directors of Citizens have  
23 not changed.

24 b. The business purpose for reorganizing Citizens is to form two new wholly-owned  
25 subsidiaries DistCo and TreatCo to provide services as described in this Joint  
26 Application.

27 c. The proposed method of financing the two new subsidiaries is by equity  
28 investment and operating fund advances to be made by Citizens to DistCo and

1 TreatCo. In addition, Citizens will provide AIAC to TreatCo as described in this  
2 Joint Application.

- 3 d. There is no resultant effect on the capital structure of Citizens.
- 4 e. A schedule that identifies all affiliates of Citizens and their relationships within  
5 Citizens is attached as Attachment 9.
- 6 f. The proposed method for allocating federal and state income taxes to the new  
7 subsidiaries is the calculation procedure adopted by the Commission in the last  
8 proceeding for a Citizens' utility operation in Arizona.
- 9 g. There are no anticipated changes in Citizens' cost of service and the cost of  
10 capital attributable to the reorganization and addition of DistCo. TreatCo, as  
11 described in the Agreement attached as Attachment 3 (and in the Executive  
12 Summary attached as Attachment 2), will have a cost of capital that will be  
13 approximately 300 basis points greater than DistCo's cost of capital.
- 14 h. DistCo has no plans to diversify into unregulated businesses. TreatCo has no  
15 plans to diversify into any business other than its business as described in  
16 Paragraph III of this Joint Application.
- 17 i. No documents or filings were made with the United States Securities and  
18 Exchange Commission or other federal or state agencies pertaining to the  
19 formation of the subsidiaries and, therefore, there are no relevant documents  
20 related thereto. Copies of the Articles of Incorporation and Bylaws of DistCo and  
21 of TreatCo are attached as Attachments 5 and 10.
- 22 j. Citizens' contemplated cumulative investment in the two new subsidiaries for the  
23 next five years is approximately \$24,000,000, which represents approximately  
24 20.0% of projected net utility plant. The reasons supporting the level of  
25 investment and the reasons this level will not increase the risks of investment in  
26 Citizens is that the \$24 million advance to TreatCo is a small percentage of  
27 Citizens' total capital and, while the risk on the TreatCo investment is greater than  
28 the risk on the present investment of those funds, it will not materially increase

1 the overall risk to Citizens.

- 2 k. Citizens can assure that adequate capital will be available for the construction of  
3 necessary new utility plant and for improvements to existing utility plant at no  
4 greater cost than if the two subsidiaries had not been formed because Citizens  
5 would require similar returns for the investment in either subsidiary.

6 **MISCELLANEOUS**

7 **19.**

8 Joint Applicants respectfully request that this matter be considered by the Commission  
9 as quickly as possible because time is of the essence to meet the anticipated needs for service  
10 in the Project. Recognizing these practical constraints, under Section 14.16 and 14.23 of the  
11 Agreement, the Agreement is subject to termination if (a) the Commission does not issue and  
12 approve all of the items requested in this Joint Application, (b) the Staff Report is not issued by  
13 March 15, 1998, or © the Commission's Order is not final and non-appealable by August 15,  
14 1998. In addition, Commission approval of the Agreement and the Purchase Agreement  
15 without amendment or modification is a condition subsequent to the continued effectiveness  
16 of those agreements, as provided in Section 14.16(a) of the Agreement and Section 7.13 of the  
17 Purchase Agreement.

18 **XIV.**

19 All communications regarding this Application should be addressed to the following  
20 representatives of Citizens:

21 **Ray Jones**  
22 **Engineering and Development Services Manager**  
23 **Citizens Utilities Company**  
**15626 North Del Webb Boulevard**  
**Sun City, Arizona 85351**

24 **and**

25 **Beth Ann Burns, Associate General Counsel**  
26 **Craig A. Marks, Associate General Counsel**  
27 **Citizens Utilities Company**  
**2901 North Central Avenue Suite 1660**  
**Phoenix, Arizona 85012**

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**CONCLUSION**

For the foregoing reasons, Joint Applicants respectfully request that the Commission expeditiously process this Joint Application, schedule a public hearing and issue an Order that:

- a. Grants DistCo a CC&N to provide the potable water and wastewater utility services contemplated by the Agreement in the Project.
- b. Grants TreatCo a CC&N to provide potable water and wastewater treatment and disposal services to DistCo and non-potable water distribution services to DistCo and others as contemplated by the Agreement.
- c. Approves the terms and provisions of the Agreement, including the initial rates set forth in Exhibit D thereto.
- d. Approves the terms and conditions of the Purchase Agreement.
- e. Approves the formation and funding of DistCo and TreatCo by Citizens and, in connection therewith, issues such additional approvals as may be required under A.C.C. R14-2-803(A) and R14-2-804(B).

DATED October 29, 1997.

Respectfully submitted,

  
Beth Ann Burns, Associate General Counsel  
Craig A. Marks, Associate General Counsel  
Citizens Utilities Company  
2901 N. Central Avenue, Suite 1660  
Phoenix, Arizona 85012

and

Terence W. Thompson, Esq.  
Gallagher & Kennedy, P.A.  
2600 North Central Avenue  
Phoenix, Arizona 85004

1000-1001-0000

1 Original and ten copies of the foregoing  
filed this October 29, 1997 with:

2  
3 Docket Control Division  
4 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

5 Copies of the foregoing mailed or  
hand delivered this October 29, 1997 to:

6  
7 Jerry Rudibaugh  
8 Chief Hearing Officer  
9 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

10  
11 Lindy Funkhouser  
12 Chief Counsel  
13 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

14  
15 Carl Dabelstein  
16 Director, Utilities Division  
17 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

18  
19 *Ruth Rozsonits*  
20 \_\_\_\_\_  
21 Ruth Rozsonits  
22 Administrative Assistant  
23  
24  
25  
26  
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28

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**ATTACHMENT "1"**

**LEGAL DESCRIPTION OF THE PROJECT**

4000-1001-0001

**Legal Description**

**of the Certificate of Convenience and Necessity**

**for The Villages at Desert Hills**

**Township 6 North, Range 2 East of the Gila and Salt River Base and Meridian,  
Maricopa County, Arizona**

All of Section 9;

All of Section 13;

All of Section 14;

All of Section 15,

EXCEPT that portion known as Arizona Department of Transportation  
Public Rest Area Right of Way #16-77854 Tract 2, described as follows:

**BEGINNING** at the South quarter corner of said Section 15;

thence along the South line thereof, North 89 degrees 50 minutes  
02 seconds West, 147.76 feet to the existing Easterly right of way  
line of Arizona Department of Transportation Highway designated  
Interstate 17;

thence along said existing Easterly right of way line, North 5  
degrees 26 minutes 37 seconds West a distance of 3,111.85 feet;

thence South 22 degrees 13 minutes 05 seconds East a distance  
of 2,089.79 feet;

thence South 5 degrees 21 minutes 40 seconds East a distance of  
1,170.24 feet to the South line of said Section 15;

thence along said South line, North 89 degrees 55 minutes 38  
seconds West a distance of 461.05 feet to the POINT OF  
**BEGINNING**;

Also EXCEPT that part of the Southwest quarter of said Section 15 lying  
Westerly of the Easterly right of way line of the Arizona Department of  
Transportation Highway designated Interstate 17, said Easterly right of  
way line being a line described as follows:

**BEGINNING at the South quarter corner of said Section 15;**

**Thence North 89 degrees 50 minutes 02 seconds West along the Southerly line of said Section 15 a distance of 147.76 feet to the TRUE POINT OF BEGINNING;**

**Thence North 5 degrees 26 minutes 37 seconds West to a point on the Northerly line of said Southwest quarter of Section 15;**

**Northeast quarter of Section 16;**

**The East ½ of Section 22,**

**EXCEPT that part of said East ½ of Section 22 lying Westerly of a line described as follows:**

**BEGINNING at the North quarter corner of said Section 22;**

**Thence along the Northerly line of Said Section 22, South 89 degrees 55 minutes 38 seconds East a distance of 461.05 feet to a point on the Easterly line of that parcel known as Arizona Department of Transportation Public Rest Area Right of Way #16-77855 Tract 2, said point being the TRUE POINT OF BEGINNING;**

**thence along said Easterly line of Tract 2, South 5 degree 21 minutes 40 seconds East a distance of 829.76 feet;**

**thence continuing along said Easterly line of Tract 2, South 12 degrees 19 minutes 44 seconds West a distance of 1,994.31 feet to a point on the Easterly right of way line of the Arizona Department of Transportation Highway designated Interstate 17;**

**thence along said Easterly line of Interstate 17, South 5 degrees 26 minutes 37 seconds East a distance of 348.28 feet;**

**thence continuing along said Easterly line of Interstate 17, along a tangent curve concave to the West with a radius of 7,843.72 feet a distance of 1,906.31 feet through a central angle of 13 degrees 55 minutes 30 seconds;**

**thence continuing along said Easterly line of Interstate 17, South 8 degrees 33 minutes 50 seconds West to a point on the Southerly line of said Section 22;**

**All of Section 23;**

All of Section 24;

All of Section 27,

EXCEPT that part of said Section 27 lying Westerly of the Easterly right of way line of the Arizona Department of Transportation Highway designated Interstate 17, said Easterly right of way line being a line described as follows:

BEGINNING the South quarter corner of said Section 27;

Thence North 89 degrees 49 minutes 29 seconds West along the Southerly line of said Section 27 a distance of 9.04 feet to the TRUE POINT OF BEGINNING;

Thence along a non tangent curve concave to the East with tangent bearing North 11 degrees 35 minutes 40 seconds west and a radius of 11,253.16 feet a distance of 3,959.89 feet through a central angle of 20 degrees 9 minutes 30 seconds;

thence continuing North 8 degrees 33 minutes 50 seconds East to a point on the Northerly line of said Section 27;

Township 6 North, Range 3 East of the Gila and Salt River Base and Meridian,  
Maricopa County, Arizona

All of Section 18;

EXCEPT the Northeast quarter of the Northeast quarter of said Section 18;

All of Section 19.

**ATTACHMENT "2"**

**EXECUTIVE SUMMARY OF THE AGREEMENT**

14000-1400-1400

[ATTACHMENT 2]

**CITIZENS UTILITIES COMPANY**  
**APPLICATION TO PROVIDE SERVICES TO THE VILLAGE AT DESERT HILLS**  
**EXECUTIVE SUMMARY OF THE PROJECT.**  
**THE MAJOR AGREEMENTS AND THE FINANCIAL MODELS**

**THE PROJECT**

Citizens Utilities Company ("Citizens")<sup>1</sup> and certain of its subsidiaries have contracted with Del Webb Corporation and its subsidiary, The Villages at Desert Hills, Inc. ("Webb"), to provide water and wastewater treatment and utility services to Webb's planned community development currently referred to as the Villages at Desert Hills (the "Project"). The Project will be developed on 5,661 acres, adjacent to Interstate 17 approximately 20 miles north of downtown Phoenix.

In order to provide service to the Project, Citizens has formed two companies, which together will provide all of the functions required to deliver potable water and wastewater treatment service to the customers. One company, Citizens Water Resources of Arizona ("TreatCo"), will provide for transportation and treatment of the raw water needed to serve the customers and will also provide treatment and disposal service for the wastewater from the Project. The second company, Citizens Water Services Company of Arizona ("DistCo"), will provide the distribution of potable water and the collection of untreated wastewater. Under this plan, TreatCo, with approximately \$100 million of total plant investment, will be the "Generation and Transmission" company, and DistCo, with approximately \$23 million of total plant investment, will be the "Distribution" company.

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<sup>1</sup> Capitalized terms in this Executive Summary have the same meaning as in the Agreement.

As currently planned, the Project will consist of a mix of residential housing units, multi-family units, commercial establishments, schools, and other places totaling up to 14,500 equivalent residential units ("ERUs"). Absorption is projected at approximately 800 ERUs per year over an 18-year period beginning in 1999. Webb and Citizens will construct or advance the plant necessary to provide the transportation, treatment, disposal and backbone facilities which will be included in TreatCo. Separate Builders, some of which will be Webb affiliates, will construct the distribution and collection facilities that will be included in DistCo. Funds for the TreatCo facilities will be advanced under a contract between Citizens and Webb, while the DistCo facilities will be advanced under line extension agreements ("LXAs") similar to those currently used by Citizens' other Arizona companies.

The 100-year assured water supply for the Project is provided through a 100-year lease agreement for a total of 10,000 acre feet ("AF") per year that Webb has with the Ak-Chin Indian Community and the United States. Under the Agreement (Attachment 3 to this Joint Application), up to 7,500 AF of Ak-Chin water per year, an amount sufficient to serve the Project at full build-out with necessary reserve capacity, has been sold by Webb to TreatCo at cost.

The TreatCo facilities will include an approximately 9-mile pipeline from the Central Arizona Project ("CAP") canal to the treatment campus, which will be located on approximately 53 acres within the Project. This pipeline is estimated to cost \$8.0 million and should be completed by the third calendar quarter of 1998. The Phase I water treatment facilities will be completed by the second calendar quarter of 1999 at a cost of approximately \$5.2 million. These facilities will have the capacity to serve approximately 1,000 ERUs, with additional capacity constructed as development of the Project proceeds. Phase I wastewater facilities will be completed by the second calendar quarter of 1999 at a cost of approximately \$3.4 million. These facilities will have the capacity to serve approximately 2,000 ERUs, with additional capacity added as development proceeds. The backbone facilities (the "Backbone Facilities") will be constructed as necessary to provide

potable water and wastewater services to subdivisions and similar developments within the Project, with Webb-affiliated Builders constructing all of the homes in Phase I. It is estimated that the initial Backbone Facilities will be ready for service by the first calendar quarter of 1999 and will be capable of serving approximately 2,500 ERUs.

### **THE DEVELOPMENT CHALLENGE**

One of the biggest challenges in modeling this project was the allocation of risk. Unlike most of the communities developed by Webb and other developers, a significant amount of water and wastewater infrastructure is required to be constructed and in place prior to serving the first customer in the Project. The construction cost for the water transportation system from the CAP canal to the Project plus the construction cost for Phase I of the water treatment plant, wastewater treatment plant and the initial backbone infrastructure, will be approximately \$30 million before a single customer is connected in mid-1999. In fact, approximately \$60 million -- or one-half of the total utility plant -- will be constructed and serving customers after the first five years of home sales, when about one quarter or 3,700 customers will be in place and taking service. Under Webb's annual absorption estimate of 800 ERUs added to the Project, this fixed infrastructure will be utilized during the term of the Project. Should shortfalls in absorption targets be experienced, the significant fixed infrastructure will be in place without sufficient customers to support it. This would, without the structure and proposals presented by Citizens, result in unacceptably high rates to the water and wastewater utility customers of the Project.

The TreatCo/DistCo structure allows Citizens to separate the investment required to provide service into two categories. TreatCo will require substantial investment before a single customer is on line to take utility service. This results in an initially high investment per customer, which will not be reduced to more "normal" levels until the Project is more than one-half complete in approximately 2008. These investment costs would ordinarily be passed on to DistCo and its customers through the charges DistCo pays to TreatCo, but the risk-protection provisions contained in Article V of the Purchase Agreement allows the Arizona Corporation Commission ("Commission") to protect the DistCo customers from

the risk that the Project will not achieve the build-out levels included in the projections.

Article V of the Purchase Agreement provides for several mechanisms to shield DistCo and its customers from the developer risks that would ordinarily be associated with a project of this size and magnitude. These mechanisms are as follows:

(1) By segregating the transportation, treatment and production assets and including them in TreatCo and then fixing the transfer price between TreatCo and DistCo, TreatCo assumes significant risks that might ordinarily be borne by the ultimate utility customer. If the number of connections falls short of current projections, TreatCo revenues, hence overall rate of return, would decline while the per-customer cost of treatment would not decline at the same rate. Rates to DistCo customers would not reflect this increased cost per customer for treatment services, even though fewer customers are on line to support the fixed infrastructures that TreatCo must have to serve even the first customer, as well as customers during the first half of the build-out of the Project.

(2) Recovery of depreciation expenses is deferred until approximately 50% of planned absorption is reached. This protects DistCo's customers from build-out delays by delaying recovery of the deferred depreciation until the build-out levels have been attained.

(3) Treatment of Citizens' initial investment as developer's advances in aid of construction ("AIAC") will reduce TreatCo's rate base in the initial years, resulting in a lower revenue requirement and lower rates to DistCo's customer.

(4) Citizens has agreed to cap returns on its investment at specified rates during the initial rate period (3 to 5 years) and will refund any earnings in excess of those initial returns to customers when the Commission reviews DistCo's operations after the initial rate period and establishes permanent rates. Conversely, shortfalls in overall rate of return during initial rate period will not be recoverable.

## **RETURN TO TREATCO**

As shown in the attached model developed by Citizens (the "Model"), Citizens is seeking approval of an opportunity for TreatCo to earn an overall rate of return ("ROR") on its invested capital, based on original cost rate base ("OCRB"), that will be approximately 300 basis points greater than the ROR on OCRB set by the Commission for conventional water and/or wastewater utility companies like DistCo. This additional return is intended to compensate TreatCo for the additional risk that would not otherwise be passed through to DistCo's customers. This higher ROR will also compensate TreatCo for the risk associated with offering a guaranteed ceiling on ROR that can be earned by TreatCo and DistCo and for potential refunds to DistCo customers that TreatCo is proposing for the initial rate period. In addition, TreatCo and DistCo have agreed that there will be no increase in rates for the first three years after customers have begun taking service.

## **PLAN TO PROCESS THIS APPLICATION**

Citizens will be working closely with the Commission Staff ("Staff") and any other intervening parties, such as the Residential Utility Consumers Organization ("RUCO"), to provide data to attain a Staff Report by March 15, 1998, and a final Commission order, where all appeal periods have expired, approving the Agreement and granting Citizens the Certificate of Convenience and Necessity to serve the Project by August 15, 1998.

## **INFRASTRUCTURE AGREEMENT TERMS AND CONDITIONS**

This Agreement governs the relationship between Citizens and Webb regarding the flow of funds for the construction of facilities in the Project and the provision of services to the customers who reside in the Project. The Agreement is included as a component of the Joint Application.

1. Webb is responsible, for example, for (a) providing the assured water supply; (b) constructing and funding the offsite transportation pipeline, Phase I of the water treatment and wastewater treatment plant, and the backbone facilities; and (c) funding for the subsequent phases of the offsite facilities and the water and

wastewater treatment plant. In addition, Webb will notify the Builders of the requirement to pay the capacity reservation charge ("CRC") due to TreatCo for each ERU to be connected to DistCo's distribution and collection system. This provides a revenue source to TreatCo from Builders within the Project.

2. Citizens is responsible, for example, for (a) providing up to \$24 million of funds during the first five years of construction as an advance to TreatCo to repay Webb for approximately 50% of the construction funds required during that period; (b) operating the water and wastewater treatment plants (TreatCo); (c) providing potable water and wastewater collection services to the utility customers (DistCo); (d) paying refunds to Webb and Citizens (TreatCo) and to Builders (DistCo); and (e) constructing subsequent phases of the offsite facilities and the water and wastewater treatment plants (TreatCo).

The Agreement provides that DistCo will enter into LXAs with each Builder for the distribution and collection plant that will be required for the Builder's development. It is estimated that approximately 50% of the AIAC provided under the LXAs will be refunded to the Builders, based on 10% of revenues. The AIAC provided to TreatCo by Webb and Citizens will be refunded up to 100% based on ERUs connected to the system. The Agreement also provides that the Builders will pay a CRC to TreatCo that will provide a revenue stream for TreatCo to reduce the revenue requirement otherwise due from the DistCo customers. These CRCs range from \$1,000 at the beginning of the Project to \$4,800 once the Project is approximately 50% built-out.

#### **PURCHASE AGREEMENT TERMS AND CONDITIONS**

A separate agreement between DistCo and TreatCo ("Purchase Agreement") for the provision of potable water and wastewater collection services is also included with the Application. The Purchase Agreement provides, among other things, for a 50-year term with a renewal option for 50-years; maximum charges per thousand gallons of potable

water delivered by TreatCo to DistCo; and restrictions on DistCo providing service to a new customer until proof of payment by the Builder of a CRC to TreatCo, which will insure TreatCo's ability to recognize all of its revenue from this source.

## **DETAILED DESCRIPTION OF THE FINANCIAL MODEL**

### **OVERVIEW**

The Model was developed to assist in the calculation of rate base, cash flow, revenues and expenses resulting from a planned development of a community and provision of the associated water and wastewater services over a number of years. The results of the assumptions used are contained on page 1 of 5 in the Summary section. The calculations in the Model take into account, by year from the start of construction to the final build-out:

1. Construction expenditures (Schedule B);
2. Customer additions, by service category (Schedule D);
3. Customer usage patterns (DATA SHEET);
4. Water usage and wastewater treatment levels (DATA SHEET);
5. Initial rates and subsequent general rate increases (DATA SHEET);
6. Operating expenses for DistCo (Schedule H);
7. Operating expenses for TreatCo (Schedule I);
8. Refunds of advances in aid of construction (Schedule M);
9. Deferred income taxes (Schedule K);
10. Cash flow statement (Schedule M);
11. Deferral and recovery of depreciation expense (Schedule J); and
12. Earned rate of return calculations (Summary Schedules).

Sections of the Model are linked so that changes in one of the assumptions will be reflected throughout the Model and the impact on the final rate of return ("ROR") will be reflected on the Summary, Page 1 of 5. Citizens and DistCo are providing the Model to

assist the Commission's evaluation of the initial rates for the services to be provided to the customers at the Project.

## **SCHEDULES CONTAINED IN THE MODEL**

### **SCHEDULE LISTING**

This page provides an index of the schedules contained in the Model. The number of pages contained in each schedule is shown on the listing together with a brief description of the contents.

### **SUMMARY**

The Summary schedule section shows various assumptions that have been used in the Model calculations and also shows the RORs and Statements of Earnings for each of DistCo and TreatCo during the 20 years covered by the Model. The RORs are shown for DistCo in column [1], TreatCo in column [2], and combined in column [3] for each year and an average for 5-year increments. The initial charge per customer per service that TreatCo will make to DistCo for the delivery of potable water and treatment of wastewater, is shown in column [4] on line 5, while percentage increases in that charge during the later years are shown on lines 11, 16 and 21. The initial CRC, per customer, per service is shown in column [5] on line 5, while percentage increases in that charge in later years are also shown on lines 11, 16 and 21. The actual amounts that will be charged as a result of those percentage increases are shown on Data Sheet - 2, which is page 3 of 4 in the Data Sheet section.

Refunds from TreatCo are shown in column [6], with the initial amount on line 6 and the increases shown on lines 11 and 16. The Model shows additional refunds for the true-up required by the Agreement in 2013. Column [7] shows the total revenue per month per residential customer using 12,000 (or 12 "M") gallons of water of \$70.00. This is based on a customer charge for water service of \$16.00 per month, a customer charge for wastewater service of \$16.00 per month, a water treatment charge of \$2.00 per "M" gallon for each of the 12 "M" gallons used, and a treatment charge for wastewater for the first 7

"M" gallons of water used by the customer. It is assumed that the remaining amount of water usage is for irrigation or other uses that will not require wastewater treatment by TreatCo.

The number of annual additions of residential customers with a 5/8" meter is shown in column [8]. This results in an estimated addition of 812 ERUs annually based on the customer mix shown on Data Sheet - 1. Additional connections to the DistCo system will be made, up to a maximum of 14,500 ERUs, once they are identified. Finally, the rate increases to DistCo customers and the resulting monthly charges for water and wastewater services are shown in columns [9] and [10].

Pages 2 and 3 of the Summary contain an annual summary of the revenues, expenses and rate base for DistCo, showing the earned ROR for each year and for the 5-year average for the years 1999 through 2018. As shown on line 2, general rate increases are forecasted and modeled to be effective on January 1 of 2004, 2009 and 2014. These increases are designed to recover the increases in treatment charges, other operating expenses and provide a return on the investment that is approximately 10.00% on average between general rate increases.

Pages 4 and 5 of the Summary contain an annual summary of the revenues, expenses and rate base for TreatCo, showing the earned ROR for each year and for the 5-year averages for the years 1999 through 2018. The water and wastewater services revenues on lines 4 and 5 are received from DistCo. The CRC amounts shown on lines 7 and 8 are received from Builders and are based on the rates shown on Data Sheet - 2 and the customer connections shown on line 1. The operating expenses are calculated on Schedule I and shown on line 13. Depreciation expense shown on line 15 is calculated on Schedule J and reflects a deferral and recovery procedure similar to that used by the Commission in setting rates for Citizens' Sun City West Utilities Company. Refunds, shown on lines 28 to 30 are based on customer connections and, as provided in the Contract, include a true-up once 10,000 ERUs have been added to the system and at build-out. Accumulated Deferred Income Taxes ("ADIT") are calculated on Schedule K and

reflect the use of cash generated from inclusion in Citizens' consolidated income tax filing. The CRC, refunds and the treatment charges have been set to provide an earned ROR for TreatCo of approximately 13.00% on an annual basis over the life of the Project.

### **DATA SHEET**

This section contains most of the basic data that, in combination with page 1 of 5 of the Summary, drive the results of the Model. Page 1 of the Data Sheet section shows information such as the total construction expenditures (line 1); cash flow information (lines 2, 3 and 4); inflation rate used (line 5); the initial CRC rate (line 6); the total monthly charge to customers for both water and wastewater services (line 7); the total number of customers and the number of customers to be added to the system annually (lines 8 and 9); and ROR, refund and general rate increase information (lines 10 through 18). Data Sheets 1, 2 and 3 (pages 2 through 4) show detailed information on customer additions, rates by customer classification, customer usage, initial rates and rate increases and the calculation of the monthly charge to customers.

### **SCHEDULE A**

Schedule A shows the estimated construction expenditures for the development of the Project by year, by type of facilities. Page 2 shows the construction expenditures using 1998 as the base cost of the construction expenditures. The total of these costs is \$109,055,000 as shown on line 28, column [10]. This amount, once an annual inflation factor of 2.00% is used, as shown on page 1, column [11], line 28 increases to \$122,604,000. The Company has used the \$122.6 million as the base for the construction expenditures included in the Model. The annual amounts shown on this schedule are shown by month on Schedule B for DistCo and on Schedule C for TreatCo.

### **SCHEDULE B**

Schedule B shows the construction expenditures from Schedule A, page 1 of 2, spread by month for each of the years from 1998 through 2018 for DistCo, reflecting the Builders' advances for the distribution and collection facilities. While the actual amounts will be recorded by the Company under terms of the line extension agreements ("LXAs"),

they have been shown as being recorded monthly, in equal amounts for each year in the Model. The amounts in column [9] represent additional charges that would normally be incurred for engineering and construction inspection work by Citizens and for allowance for funds used during construction ("AFUDC"). However, since the construction expenditures will be advanced under LXAs, there will be very little AFUDC and only actual amounts for the inspection costs or actual AFUDC will be recorded.

#### **SCHEDULE C**

Schedule C shows the construction expenditures from Schedule A, page 1 of 2, spread by month for each of the years from 1998 through 2018 for TreatCo, reflecting the Webb's advances for the transportation, water treatment and wastewater treatment and disposal facilities. While the actual amounts will be recorded by the Company under terms of the Agreement they have been shown as being recorded monthly, in equal amounts for each year in the Model. The amounts in column [9] represent additional charges that would normally be incurred for engineering and construction inspection work by Citizens and for AFUDC. However, since the construction expenditures will be advanced in accordance with the terms of the Agreement, there will be very little AFUDC, and only actual amounts for the inspection costs or actual AFUDC will be recorded.

#### **SCHEDULE D**

Schedule D shows the additions of customers by customer classification by month for each year from 1999 through 2018. The customer additions are assumed to be equal for each month during each year and are stopped when the level of customers reach the totals shown on Data Sheet - 1. The estimated number of customer additions is used to calculate the amount of CRC in the Model, and the average number of estimated customers is used to calculate the customer usage and the revenues for the customer charges and usage charges.

As described in the footnote on the Schedule Listing page, only the first four years of the customer addition pages have been included as part of the schedules submitted in

these workpapers. The remaining pages, which show the customer additions for the years 2003 through 2018, are contained in the Model itself and will be provided on request.

### **SCHEDULE E**

Schedule E shows the amount of customer usage, water production required and wastewater to be treated for each month for each year from 1999 through 2018 by customer classification and in total. Customer usage is calculated using the average number of customers times the usage for each customer classification. The usage is totaled and the resulting revenue is calculated using the total customer usage times the rate per "M" gallon. Water production is calculated to be at 110% of water usage, to provide for water that is unaccounted for between the time the water is taken from the Ak Chin and the time it is metered into the customer home. This unaccounted for water is due to such things as fire flow usage, leakage, cleaning of filtration elements, etc. The level of water that is estimated to be returned as wastewater to be treated has been estimated at 60% of the water delivered to customers. The wastewater flow is calculated by customer classification, and the total is used to calculate the revenue to DistCo for the wastewater treatment charges.

As described in the footnote on the Schedule Listing page, only the first four years of the production, usage and treatment pages have been included as part of the schedules submitted in these workpapers. The remaining pages, which show those elements for the years 2003 through 2018, are contained in the Model itself and will be provided on request.

### **SCHEDULE F**

Schedule F shows the calculation of water revenues based on the customer additions and the water usage by customer class shown on Schedules D and E and the rates for customer charges and water usage charges shown on Data Sheet - 1. The monthly customer charge revenues are calculated by customer classification and summarized on line 11, while the usage charges are calculated using the summation of the usage from Schedule E and the rate from Data Sheet - 1. The usage revenue is shown

on line 13 and the total water revenue for DistCo is shown on line 14 and carried forward to the Summary section, as shown on page 2 of 5 and page 3 of 5, line 3.

As described in the footnote on the Schedule Listing page, only the first four years of the water revenue pages have been included as part of the schedules submitted in these workpapers. The remaining pages, which show the water revenues for the years 2003 through 2018, are contained in the Model itself and will be provided on request.

#### **SCHEDULE G**

Schedule G shows the calculation of wastewater revenues based on the customer additions and 60% of the water usage by customer class shown on Schedules D and E and the rates for customer charges and treatment charges shown on Data Sheet - 1. The monthly customer charge revenues are calculated by customer classification and summarized on line 11, while the treatment usage charges are calculated using the summation of the treatment usage from Schedule E and the rate from Data Sheet - 1. The treatment revenue is shown on line 13 and the total wastewater revenue for DistCo is shown on line 14 and carried forward to the Summary section, as shown on page 2 of 5 and page 3 of 5, line 4.

As described in the footnote on the Schedule Listing page, only the first four years of the wastewater revenue pages have been included as part of the schedules submitted in these workpapers. The remaining pages, which show the wastewater revenues for the years 2003 through 2018 are contained in the Model itself and will be provided on request.

#### **SCHEDULE H**

Schedule H shows the estimate for the operating expenses of DistCo by month for each year from 1999 through 2018. These amounts have been calculated using estimates for the number of employee equivalents and number of customers based on Citizens' experience with the start-up operations at Sun City West Utilities Company ("SCWU"). Citizens' operations will, as was the case with SCWU, charge DistCo for the time and expenses of any of its employees that work on DistCo projects and will book only those charges, plus appropriate expenses and payroll and other overheads.

As described in the footnote on the Schedule Listing page, only the first four years of the DistCo operating expense pages have been included as part of the schedules submitted in these workpapers. The remaining pages, which show the DistCo operating expenses for the years 2003 through 2018 are contained in the Model itself and will be provided on request.

#### **SCHEDULE I**

Schedule I shows the calculation of the operating expenses for TreatCo for the years 1999 through 2018. These amounts are calculated on pages 1 through 4 and summarized on page 1. References to the calculations from pages 2, 3 and 4 are shown on page 1.

#### **SCHEDULE J**

Schedule J shows the calculation of the depreciation expense deferral and recovery procedure used in the Model to match the depreciation expense from the infrastructure with the additions of customers using that infrastructure. A similar depreciation expense deferral was approved by the Commission in the SCWU proceeding regarding the sewage treatment plant ("STP") that was constructed to provide treatment services for that operation. In that proceeding, the Commission found that, while the construction of the STP in 1979/80 was prudent, the level of depreciation expense for the STP, which was capable of service over 13,000 customers, should not be recovered from the 3,000 customers that were on-line during the first rate review in 1982. The Commission allowed a portion of the depreciation on the STP based on the ratio of customers connected plus an allowance for near-term growth. In the most recent SCWU case, the Commission affirmed its deferral by allowing recovery of the deferred depreciation in rates set for SCWU.

The procedure used in this instance defers depreciation expense that exceeds a customer ratio calculation and establishes a recovery procedure for the deferred depreciation once the number of customers has exceeded 50% of the total ERUs planned for the Project. Column [2] shows the average plant balance for TreatCo plant, and column

[3] shows the depreciation expense that would normally be recorded assuming that the average life of TreatCo plant was 33 years. Column [4] shows the customer ratio, calculated by dividing the average number of customers by the total number of customers to be served in the Project. This ratio is then multiplied by the depreciation expense in column [3] and reflected in column [5] as the amount for depreciation expense for the year. The difference between the "normal" depreciation expense shown in column [3] and the amount used in the ROR calculations shown in column [5] is shown in column [6] and would be reflected on TreatCo's books as a deferral.

The deferred depreciation expense is expected to be collected from customers beginning in 2009 when the deferred depreciation expense is amortized and included in rates together with the depreciation expense calculated for that and each following year. As seen on line 22, the total depreciation expense that would have been expensed without the deferral procedures, \$43,363,000 in column [3] is recovered under the deferral procedures as shown in column [8]. This procedure, once approved by the Commission, would be based on the actual customer ratios and the actual depreciation expense using the actual plant additions and approved depreciation rates per utility plant account.

A delay in the build-out of the Project will impact the recovery of the deferred depreciation, but will not adversely impact on the rates for the customers of DistCo. For example, if at least 50% of the customers are not on the system by the time of the planned general rate case increase in 2009, the recovery of the deferred depreciation would not begin, and that expense would not be included in the rates established for TreatCo to charge DistCo.

#### **SCHEDULE K**

Schedule K shows the calculation of the accumulated deferred income taxes ("ADIT") for both TreatCo, pages 1 and 2, and DistCo, pages 3 and 4. These amounts are calculated using the plant additions and the accelerated tax depreciation rates for water utility property. The rate, a constant 4.00%, is used to reflect the settlement that eliminated the need to charge taxes on AIAC or CIAC amounts received from developers. The ADIT

amounts are carried forward and used as rate base reductions, as shown in the Summary section.

#### **SCHEDULE L**

Schedule L shows the calculation of the refunds for the LXAs from Builders for the plant constructed for DistCo. As shown in column [3], a ten-year life was used for the expiration of the LXA to approximate the actual term of the revenue stream and the average term of the build-out for each of the LXAs that will be received. Actual dates will be used for all LXAs and reflected on the books by DistCo.

#### **SCHEDULE M**

Schedule M shows the cash flows for Citizens for each of the years 1999 through 2018. Cash flows from operations are shown on lines 3 through 9 with a total on line 10. These amounts do not include the \$24 million advance from Citizens which is shown on line 17. Total construction expenditure requirements, by year, are shown for DistCo on line 11 and for TreatCo on line 12. The source for these funds, advances from Webb or Citizens are shown on lines 13 and 17.

Refunds of the advances to both Webb and Citizens are shown on lines 18 through 21 and the total net operations cash flow for each year is shown on line 22. The cumulative operational cash flow, excluding the \$24 million advance is shown on line 23 and the cumulative total cash flow, including the \$24 million advance is shown on line 24.

#### **SCHEDULE N**

Schedule N shows the calculation of the costs charged from TreatCo to DistCo for the delivery of treated water and the treatment of wastewater. The calculations are based on the amount of water usage and the rates are based on the charges in the Contract.

#### **SCHEDULE O**

Schedule O shows the calculation of the usage charges for the Ak Chin Water. The usage is estimated based on customer additions and the rates are taken from the Ak Chin Lease for the years through 2011. Ak Chin usage charges per acre foot for the years 2012 through 2018 are estimated.

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
LIST OF SCHEDULES CONTAINED IN MODEL

VDH MODEL - FINAL

LINE #	DESCRIPTION	NUMBER OF PAGES	DESCRIPTION OF CONTENT OF SCHEDULES
1	SCHEDULE LISTING	1	LISTING OF SCHEDULES CONTAINED IN MODEL
2	SUMMARY	5	RATE OF RETURN CALCULATIONS
3	DATA SHEET	4	BASIC INFORMATION USED FOR MODEL CALCULATIONS
4	SCHEDULE A	2	ANNUAL CONSTRUCTION EXPENDITURES
5	SCHEDULE B	8	DISTCO -- MONTHLY CONSTRUCTION EXPENDITURES
6	SCHEDULE C	8	TREATCO -- MONTHLY CONSTRUCTION EXPENDITURES
7	SCHEDULE D	20	**** DISTCO -- CUSTOMER ADDITIONS BY YEAR & BY CATEGORY
8	SCHEDULE E	20	**** DISTCO -- PRODUCTION, SALES AND TREATMENT BY YEAR & BY CATEGORY
9	SCHEDULE F	20	**** DISTCO -- WATER REVENUES BY YEAR & BY CATEGORY
10	SCHEDULE G	20	**** DISTCO -- WASTEWATER REVENUES BY YEAR & BY CATEGORY
11	SCHEDULE H	20	**** DISTCO -- OPERATING EXPENSES BY YEAR
12	SCHEDULE I	4	TREATCO -- OPERATING EXPENSES BY YEAR
13	SCHEDULE J	1	TREATCO -- CALCULATION OF DEFERRED DEPRECIATION AND RECOVERY OF DEFERRAL
14	SCHEDULE K	4	CALCULATION OF ACCUMULATED DEFERRED INCOME TAXES
15	SCHEDULE L	1	DISTCO -- CALCULATION OF REFUNDS FOR LXA's
16	SCHEDULE M	2	CITIZENS CASH FLOW BY YEAR
17	SCHEDULE N	1	CALCULATION OF WATER/WASTEWATER TREATMENT COSTS
18	SCHEDULE O	1	CALCULATION OF AK CHIN USAGE COSTS

\*\*\*\* Pages 6 through 20 for years 2004 through 2018 have not been included in the application. They are available on the file "VDHMODEL.xls" under the same names similar to those used for the first four years included in the filing.

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS -- PROFORMA PROJECTIONS

SUMMARY  
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VOM MODEL -- FINAL

CONTROL SHEET FOR "MODEL CHANGES"  
(\$ in Thousands)

[1] [2] [3] [4] [5] [6] [7] [8] [9]

LINE #	DESCRIPTION	RESULTS OF OPERATIONS		INPUT DATA			INPUT DATA		PERCENTAGE RATE INCREASE COMPOUNDED FROM 1999
		DISTCO ROR Pgs 2 & 3	TREATCO ROR Pgs 4 & 5	CHARGES FOR TREATMENT	CAPACITY RESERVATION CHARGE / CUSTOMER / SERVICE	REFUND FROM TREATCO	MONTHLY RATE / BILL FOR 5/8" METER CUSTOMER	NUMBER OF 5/8" METER CUSTOMERS PER YEAR	
1	TOTAL MONTHLY CHARGE -- RESULT OF INITIAL RATES								
2	NUMBER OF CUSTOMERS ADDED PER YEAR							700	
3	MONTHLY PER "M" GALLON CONSUMPTION CHARGE -- WATER			0.1250				\$ 2.00	
4	MONTHLY PER "M" GALLON TREATMENT CHARGE -- WASTEWATER			0.1250				\$ 2.00	
5		-132.28%	17.18%	\$ 0.335	\$ 0.500	\$ 5,000	\$ 15.00		
6		31.21%	12.53%						14.50%
7		21.42%	15.85%						80.15
8		28.30%	11.82%						
9		19.19%	10.41%						
10	AVERAGE FOR FIRST FIVE YEARS	16.86%	13.33%						
11		13.47%	13.91%	21.0%	130%	\$ 0.800			14.50%
12		12.76%	12.53%						
13		9.94%	12.08%						
14		9.47%	11.23%						
15	AVERAGE	8.92%	15.11%						
16		10.20%	12.99%						
17		11.92%	13.19%	21.5%	110%	\$ 0.300			20.00%
18		11.24%	13.01%						
19		9.68%	13.13%						
20		9.54%	14.55%						
21		9.48%	10.16%						
22		10.19%	12.63%						
23		10.68%	14.26%	32.0%	0%	\$			25.87%
24		10.04%	11.55%						
25		9.36%	11.62%						
26		8.96%	12.05%						
27		8.27%	13.11%						
28		9.39%	12.61%						
29	AVERAGE								

WITHEFFECTIVE DATES OR PERIODS

YEAR 1998

5	1999	
6	2000	
7	2001	
8	2002	
9	2003	
10	2004	
11	2005	
12	2006	
13	2007	
14	2008	
15	2009	
16	2010	
17	2011	
18	2012	
19	2013	
20	2014	
21	2015	
22	2016	
23	2017	
24	2018	
25	2019	
26	2020	

VOM-MODEL.xls  
CONTROL (B/DZ60)

LINE #	DESCRIPTION	REFERENCE	(1) 1999	(2) 2000	(3) 2001	(4) 2002	(5) 2003	(6) 2004	(7) 2005	(8) 2006	(9) 2007	(10) 2008
1	AVERAGE # OF CUSTOMERS	SCH D		811	1,023	2,435	3,242	4,329	4,871	5,683	6,805	7,807
2	% RATE INCREASE OVER 1999 RATES	Data Sheet 2										
<b>REVENUES</b>												
3	WATER SERVICES	SCH F	\$51	\$408	\$416	\$1,226	\$1,634	\$2,643	\$2,453	\$2,861	\$3,271	\$3,679
4	WASTEWATER SERVICES	SCH G	39	310	620	932	1,242	1,553	1,864	2,174	2,486	2,796
5	RATE INCREASE AT % SHOWN											
6	OTHER						521	626	626	730	835	939
7	TOTAL REVENUES		90	717	1,036	2,158	2,876	4,117	4,943	5,766	6,591	7,414
<b>OPERATING EXPENSES</b>												
8	PURCHASED WATER	SCH N	34	271	544	816	1,069	1,643	1,972	2,301	2,630	2,959
9	WASTEWATER TREATMENT	SCH N	34	271	544	816	1,069	1,643	1,972	2,301	2,630	2,959
10	OTHER		0	0	0	0	0	0	0	0	0	0
11	OPERATING EXPENSES	SCH M	35	153	235	316	436	517	599	715	796	878
12	TOTAL OPERATING EXPENSES		162	695	1,322	1,948	2,613	3,804	4,544	5,317	6,057	6,797
13	DEPRECIATION (Avg L 22 * Rate)	3,002%	19	54	91	133	175	219	263	308	354	401
14	AMORTIZATION OF CIAC (Avg L 32 * Rate)	3,002%	-10	-30	-50	-71	-92	-113	-135	-158	-181	-204
15	TAXES OTHER THAN INCOME (L 22 * Rate)	1,002%	13	24	37	51	66	80	96	110	126	141
16	TOTAL EXPENSES BEFORE INCOME TAXES		124	744	1,400	2,062	2,782	3,990	4,766	5,578	6,356	7,135
17	INTEREST EXPENSE (L 34 * Rate)	3,002%	0	1	3	6	11	18	26	39	51	65
18	TAXABLE INCOME		-35	27	33	80	163	109	148	149	184	214
19	INCOME TAX EXPENSE (L 18 * Rate)	50,002%	-14	-11	-13	-26	-41	-44	-56	-60	-74	-88
20	TOTAL EXPENSE		110	733	1,413	2,038	2,803	4,034	4,823	5,638	6,430	7,223
21	NET OPERATING INCOME		(\$21)	(\$15)	\$23	\$60	\$73	\$83	\$117	\$126	\$161	\$193
<b>RATE BASE</b>												
22	PLANT IN SERVICE	SCH B	\$1,253	\$2,354	\$3,724	\$5,118	\$6,553	\$8,015	\$9,501	\$11,024	\$12,570	\$14,149
23	C/WIP		86	338	344	350	361	367	373	382	388	397
24	ACCUMULATED DEPRECIATION (L 13 * Prior Year)		19	73	164	297	472	691	954	1,262	1,616	2,017
25	NET PLANT		1,320	2,618	3,904	5,171	6,442	7,697	8,920	10,144	11,342	12,529
26	CUSTOMER ADVANCES - 50%	SCH M	654	1,323	2,007	2,703	3,414	4,139	4,876	5,632	6,402	7,188
27	REFUND OF C/A - SUBDIVISION - Years	12	0	45	153	332	584	934	1,367	1,922	2,540	3,240
28	N/A		0	0	0	0	0	0	0	0	0	0
29	N/A		0	0	0	0	0	0	0	0	0	0
30	DEFERRED INCOME TAXES	SCH K	-7	-14	-26	-44	-68	-97	-132	-172	-218	-272
31	CIAC	SCH M	654	1,323	2,007	2,703	3,414	4,139	4,876	5,632	6,402	7,188
32	AMORTIZATION OF CIAC (L 14 * Prior Year)		10	39	80	160	252	365	500	658	838	1,042
33	OTHER											
34	RATE BASE		\$18	\$43	\$107	\$213	\$382	\$618	\$919	\$1,288	\$1,698	\$2,187
35	EARNED RATE OF RETURN		1.3228%	35.52%	21.42%	28.30%	19.19%	11.42%	12.76%	9.84%	8.41%	8.82%

VD-MODEL.R15  
 DISTCO\_P1 (A A 1 A 260)  
 15,800%

CITIZENS UTILITIES COMPANY  
VILLAGES AT DEBENT HILLS - PROFORMA PROJECTIONS

DISTCO OPERATIONS  
PAGE 2 of 2  
10/1/09

WORLD MODEL - FINAL

FINAL SUMMARY - DISTCO OPERATIONS

(\$ in Thousands)

LINE #	DESCRIPTION	REFERENCE	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	AVERAGE # OF CUSTOMERS	SCH D	8,119	8,811	9,734	10,555	11,265	12,103	12,958	13,858	14,808	15,808
2	% RATE INCREASE OVER 1999 RATES		27.82%	37.82%	37.82%	37.82%	37.82%	37.82%	37.82%	37.82%	37.82%	37.82%
3	REVENUES		\$4,088	\$4,487	\$4,906	\$5,315	\$5,714	\$6,201	\$6,781	\$7,454	\$8,221	\$9,081
4	WATER SERVICES	SCH F	3,107	3,416	3,729	4,040	4,342	4,634	4,914	5,174	5,424	5,674
5	WASTEWATER SERVICES	SCH G	2,691	2,960	3,229	3,499	3,761	4,014	4,287	4,554	4,821	5,081
6	WATER RATE INCREASE AT % SHOWN											
7	OTHER		9,866	10,875	11,864	12,854	13,817	14,803	15,814	16,850	17,919	19,024
8	TOTAL REVENUES		19,651	21,138	22,900	24,668	26,535	28,512	30,607	32,828	35,174	37,657
<b>OPERATING EXPENSES</b>												
9	PURCHASED WATER	SCH N	3,965	4,384	4,794	5,193	5,583	5,962	6,331	6,691	7,041	7,381
10	WASTEWATER TREATMENT	SCH N	0	0	0	0	0	0	0	0	0	0
11	OTHER		0	0	0	0	0	0	0	0	0	0
12	TOTAL OPERATING EXPENSES	SCH H	1,032	1,114	1,207	1,348	1,430	1,582	1,620	1,620	1,620	1,620
13	DEPRECIATION (Avg L 22 * Rate)	3,00%	9,021	9,902	10,854	11,735	12,595	13,436	14,257	15,058	15,839	16,592
14	AMORTIZATION OF CIAC (Avg L 32 * Rate)	3,00%	449	497	547	598	650	703	756	810	864	918
15	TAXES OTHER THAN INCOME (L 22 * Rate)	1,00%	228	252	277	302	328	354	381	407	434	461
16	TOTAL EXPENSES BEFORE INCOME TAXES	1,00%	158	174	191	209	225	243	260	279	296	314
17	INCOME TAX EXPENSE (L 34 * Rate)	3,00%	9,400	10,321	11,315	12,239	13,143	14,036	14,919	15,792	16,655	17,508
18	TAG, BLE INC (v.e)		81	89	116	133	147	168	184	208	228	248
19	TOTAL EXPENSE	40,00%	405	455	432	481	527	578	632	688	746	805
20	NET OPERATING INCOME		18,246	19,683	21,685	23,629	25,600	27,576	29,588	31,630	33,719	35,849
<b>RATE BASE</b>												
22	PLANT IN SERVICE	SCH B	\$15,759	\$17,396	\$19,073	\$20,789	\$22,536	\$24,310	\$26,113	\$27,944	\$29,803	\$31,691
23	C WIP		403	412	421	430	439	443	443	443	443	443
24	ACCUMULATED DEPRECIATION (L 13 * Prior Year)		2,466	2,963	3,510	4,108	4,758	5,461	6,217	7,023	7,880	8,787
25	NET PLANT		13,696	14,847	15,984	17,111	18,217	19,294	20,343	21,364	22,350	23,303
26	CUSTOMER ADVANCES - 50%	SCH M	7,987	8,803	9,636	10,495	11,382	12,295	13,235	14,203	15,199	16,224
27	REFUND OF C/A - SUBDIVISION - Years	12	4,054	4,944	5,834	6,724	7,614	8,504	9,394	10,284	11,174	12,064
28	N/A		0	0	0	0	0	0	0	0	0	0
29	N/A		0	0	0	0	0	0	0	0	0	0
30	DEFERRED INCOME TAXES	SCH K	331	397	470	549	635	728	826	929	1,034	1,143
31	CIAC	50%	7,987	8,803	9,636	10,495	11,382	12,295	13,235	14,203	15,199	16,224
32	AMORTIZATION OF CIAC (L 14 * Prior Year)		1,270	1,522	1,768	2,104	2,429	2,751	3,148	3,516	3,883	4,250
33	OTHER		3,276	3,311	3,375	3,421	3,463	3,501	3,535	3,571	3,607	3,643
34	RATE BASE		33,311	36,417	39,684	43,117	46,717	50,484	54,417	58,517	62,784	67,317
35	EARNED RATE OF RETURN		11.92%	11.24%	9.88%	9.24%	8.48%	7.68%	6.84%	6.08%	5.40%	4.80%



FINAL SUMMARY - TREATCO OPERATIONS  
(\$ in Thousands)

LINE #	DESCRIPTION	REFERENCE	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	NUMBER OF CUSTOMER MOVEMENTS		8,520	9,338	10,150	10,982	11,788	12,558	12,558	12,558	12,558	12,558
2	AVERAGE # OF CUSTOMERS	SCH D										
3	% RATE INCREASE OVER BASE YEAR 2009 RATES											
4	REVENUES											
4	WATER SERVICES	DISTCO	\$3,995	\$4,304	\$4,794	\$5,193	\$5,583	\$7,912	\$8,151	\$8,151	\$8,151	\$8,151
5	WASTEWATER SERVICES	DISTCO	3,995	4,304	4,794	5,193	5,583	7,912	8,151	8,151	8,151	8,151
6	GOLF COURSE IRRIGATION		673	673	673	673	673	673	673	673	673	673
7	CAPACITY RESERV CHG - WATER	Data Sheet	1,961	1,961	1,961	1,961	1,961	1,961	0	0	0	0
8	CAPACITY RESERV CHG - W/W	Data Sheet	1,961	1,961	1,961	1,961	1,961	1,961	0	0	0	0
9	TOTAL REVENUES		12,584	13,397	14,188	15,105	15,917	20,503	17,130	17,108	17,034	17,001
<b>OPERATING EXPENSES</b>												
10	N/A											
11	N/A											
12	OTHER											
13	OPERATING EXPENSES	SCH I	1,422	1,601	1,685	1,973	2,094	2,197	2,241	2,310	2,491	2,561
14	TOTAL OPERATING EXPENSES		1,422	1,601	1,685	1,973	2,094	2,197	2,241	2,310	2,491	2,561
15	DEPRECIATION	SCH J	3,467	3,908	4,321	3,746	4,164	4,502	3,537	3,579	3,583	3,209
16	TAXES OTHER THAN PROPERTY (1.23 * Rate)	1.00%	828	852	878	949	852	979	1,005	1,008	1,008	1,008
17	TOTAL EXPENSES BEFORE INCOME TAXES		5,717	6,361	6,884	6,668	7,231	7,678	6,783	6,897	7,082	6,778
18	INTEREST EXPENSE (1.34 * Rate)	3.00%	1,031	1,021	1,102	1,145	1,745	1,765	1,801	1,764	1,651	1,545
19	TAXABLE INCOME		5,836	5,955	6,202	7,352	6,941	11,060	8,546	8,447	8,301	8,978
20	INCOME TAX EXPENSE (1.19 * Rate)	40.00%	2,334	2,382	2,481	2,941	2,776	4,424	3,418	3,379	3,320	3,471
21	TOTAL EXPENSE		8,051	8,743	9,365	9,609	10,007	12,102	10,201	10,276	10,402	10,249
22	NET OPERATING INCOME		\$4,533	\$4,644	\$4,823	\$5,556	\$5,910	\$8,401	\$6,929	\$6,832	\$6,632	\$6,752
<b>RATE BASE</b>												
23	PLANT IN SERVICE		\$62,823	\$85,174	\$87,770	\$94,904	\$87,330	\$97,942	\$100,525	\$100,773	\$100,774	\$100,774
24	C WIP		605	163	227	644	166	42	237	1	0	0
25	ACCUMULATED DEPRECIATION (1.13 * Prior Year)		-8,814	-12,722	-17,043	-20,789	-24,953	-29,455	-32,992	-36,571	-40,154	-43,363
26	NET PLANT		74,614	72,615	70,954	74,759	72,543	68,529	67,770	64,203	60,620	57,411
27	ADVANCED FUNDS		-81,284	-83,123	-85,716	-93,079	-94,950	-95,477	-98,134	-98,134	-98,134	-98,134
28	REPAYMENT PART # 1	\$5,000	38,570	42,630	48,690	50,750	54,810	58,840	62,790	62,790	62,790	62,790
29	REPAYMENT PART # 2	\$0,000	6,171	6,821	7,470	8,120	8,770	9,414	10,046	10,046	10,046	10,046
30	REPAYMENT PART # 3	\$0,300	2,314	2,558	2,801	3,045	3,289	3,530	3,767	3,767	3,767	3,767
31	REPAYMENT PART - TRUE-UP		6,019	5,799	5,454	5,417	19,066	19,000	19,000	21,530	21,530	21,530
32	DEFERRED INCOME TAXES											
33	WORKING CAPITAL & OTHER											
34	RATE BASE		\$34,569	\$35,702	\$36,746	\$38,178	\$38,372	\$38,847	\$39,019	\$38,803	\$35,642	\$31,505
35	RATE OF RETURN		13.19%	13.01%	13.13%	14.55%	10.16%	14.28%	11.56%	11.86%	12.05%	13.11%
VDR-MODEL.xls TREATCO_P2(A:A181 A:Z240)												

4000-100-600

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

DATA SHEET  
SUMMARY  
PAGE 1 of 4  
10/10/07

VDH MODEL -- FINAL

SUMMARY-BASIS OF PRESENTATION  
( \$ in Thousands )

LINE #	DESCRIPTION	AMOUNT
1	TOTAL CONSTRUCTION EXPENDITURES	\$122,804
2	TOTAL NET CASH FLOW -- ( To D.E.W. ) ( After Contribution from Home Sales of \$3.0 per unit and before interest )	(\$14,875)
3	INITIAL FUNDS PROVIDED BY CITIZENS--1998 / 1999	(\$13,000)
4	D.E.W CASH FOR CONSTRUCTION--1998 / 1999	(\$29,204)
5	INFLATION FACTOR APPLIED TO CONSTRUCTION	1.0200
6	CAPACITY RESERVATION CHARGE--INITIAL AMOUNT ( See Data Sheet -- Page 2 ) ( One-Half For Water & One-Half For Wastewater )	\$1,000
7	MONTHLY CHARGE TO CUSTOMERS-- 5 / 8" RESIDENTIAL ( See Data Sheet - Page 3 )	\$70.00
8	TOTAL NUMBER OF CUSTOMERS -- ( Based on 10/7/75 5/8" Residential ) ( Additional ERUs Expected Once Source Identified--Up to 14,500 Total )	12,449
9	CUSTOMER ADDITIONS PER YEAR -- ( Based on 700 5/8" Residential )	812
10	AVERAGE TARGET RATE OF RETURN--DISTCO	10.0% +/-
11	AVERAGE TARGET RATE OF RETURN -- TREATCO	13.5% +/-
12	REFUND PER CUSTOMER--DISTCO ( LXA -- 10.0% of Revenue )	SCH L
13	REFUND PER CUSTOMER--TREATCO ( Beginning in 2000 )	\$5,000
14	ADDITIONAL REFUND PER CUSTOMER--TREATCO ( Beginning in 2008 )	\$0,800
15	ADDITIONAL REFUND PER CUSTOMER-- TREATCO ( Beginning in 2014 )	\$0,300
16	GENERAL RATE INCREASE--( YEAR 6 ) 2004	14.50%
17	GENERAL RATE INCREASE--( YEAR 11 ) 2009	22.90%
18	GENERAL RATE INCREASE--( YEAR 16 ) 2014	28.47%

EXCEPT MONTHLY CUSTOMER CHARGES

1000-100-000

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

DATA SHEET -- 1

VDM MODEL - FINAL

CUSTOMER INFORMATION	NUMBER	YEARS	RESIDENTIAL	APTS	COMMERCIAL	LARGE COMME	OTHER	TOTAL				
									PERCENT OF RESIDENTIAL 5/8" METER	TOTAL NUMBER OF RESIDENTIAL CUSTOMERS	AVERAGE CONNECTIONS PER YEAR	AVERAGE CONNECTIONS PER MONTH
1												
2			12.50%		2.50%	0.50%	0.25%					
3	700	15.5	10,850	1,356	271	54	27	12,558				
4			700	88	18	4	2	812				
5			58.3	2.1	1.5	0.3	0.2					
6			24	2	2	0	0					
7					12							
8					12							
9					12							
10					12							
11					12							
12					12							
13					12							
14					12							
15					12							
<b>CUSTOMER USAGE</b>												
16			10,850	12	130,200	1,562,400	4,793	5,272				
17			1,356	9	12,206	146,475	449	494				
18			271	24	6,510	78,120	240	264				
19			54	120	6,510	78,120	240	264				
20			27	60	1,628	19,530	60	66				
21			12,558	157,054	1,884,645	5,781	6,359					

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS -- PROFORMA PROJECTIONS

DATA SHEET -- 2

VDH MODEL -- FINAL

PRODUCTION AND TREATMENT

16	WATER SALES IN "M" GALLONS RATED AT	100.00%
17	WATER PRODUCTION REQUIRED (Unaccounted For )	110.00%
18	WATER TO BE TREATED ( Not Landscaping Usage )	50.00%
19	WATER TREATMENT CHARGE TO CUSTOMER, PER "M" GALLON	\$ 2.00
20	WASTEWATER TREATMENT CHARGE TO CUSTOMER PER "M" GALLON	\$2.00

RATE INCREASES

	PERCENT INCREASE	PERCENT	\$ / SERVICE	COMPOSITE \$ / SERVICE	\$ / "M" GALLON PER MONTH
21	14.50%	14.50%			
22	20.00%	27.40%			
23	28.00%	75.87%			
24			\$0.500		
25	130.00%		\$1.150		
26	110.00%		\$2.415		
27	0.00%		\$2.415		
28				\$0.385	\$ 0.002220
29	21.00%			\$0.405	\$ 0.002681
30	21.50%			\$0.492	\$ 0.003257
31	22.00%			\$0.648	\$ 0.004326

TREATCO-CUSTOMER CONNECTION CHARGES CHARGES

24	BASE CHARGE IN 1999	
25	PERCENT INCREASE IN YEAR 2004	
26	PERCENT INCREASE IN YEAR 2008	
27	PERCENT INCREASE IN YEAR 2014	

TREATCO-COMMODITY COSTS

28	BASE CHARGE IN 1999	
29	PERCENT INCREASE IN YEAR 2005	
30	PERCENT INCREASE IN YEAR 2009	
31	PERCENT INCREASE IN YEAR 2014	

WOODS - 1100 - 900E

DATA SHEET  
PAGE 4 of 4  
10/10/97

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

DATA SHEET -- 3

VDH MODEL -- FINAL

	UNITS	RATES	CHARGE	TOTAL
32	1 *	\$16.00 =	\$16.00	
33	12 * \$	2.00 =	24.00	
34	1 *	\$18.00 =	18.00	
35	7 *	\$2.00 =	14.00	
36				\$70.00

CUSTOMER BILL - 500 RESIDENTIAL  
 WATER - MONTHLY CHARGE  
 -- MONTHLY USAGE  
 WASTEWATER - MONTHLY CHARGE  
 -- MONTHLY USAGE  
 TOTAL MONTHLY BILL

FACTOR  
1.0250

37 INFLATION FACTOR

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROGRAMS PROJECTIONS

CONSTRUCTION EXPENDITURES BY MONTH - FUTURE YEAR DOLLARS  
(In Thousands)

LINE #	DESCRIPTION	(1)	TREATCO OPERATIONS				DISTCO OPERATIONS				TOTAL ALL WITH INFLATION	INFLATION FACTOR	
			(2) WATER RIGHTS	(3) PLANT & OFFSITE	(4) BACKBONE ON-SITE	(5) TOTAL	(6) BACKBONE ON-SITE	(7) SUBSCRIPTION	(8) TOTAL				
1	CONSTRUCTION - EXPENDITURES												
2	1987												
3	1988	8000	\$1,012	\$12,315	\$3,500	\$17,462	\$0	\$32	\$32	\$17,494	1.0000		
4	1989		1,013	4,878	8,537	14,428	0	965	965	15,411	1.0200		
5	2000		1,012	1,446	3,64	2,822	0	1,339	1,339	4,161	1.0404		
6	2001		1,013	377	1,061	2,451	0	1,367	1,367	3,818	1.0812		
7	2002		1,012	8,302	1,407	10,721	0	1,363	1,363	12,114	1.0824		
8	2003		1,013	686	528	2,217	0	1,422	1,422	3,639	1.1040		
9	2004		1,012	1,955	698	3,275	0	1,449	1,449	4,724	1.1261		
10	2005		1,013	318	2,849	4,178	0	1,479	1,479	5,657	1.1486		
11	2006		1,012	6,561	3,503	11,076	0	1,508	1,508	12,584	1.1716		
12	2007		1,013	2,450	1,900	5,363	0	1,539	1,539	6,902	1.1950		
13	2008		0	335	0	335	0	1,569	1,569	1,904	1.2186		
14	2009		0	8,938	0	8,938	0	1,601	1,601	8,539	1.2433		
15	2010		0	1,763	76	1,839	0	1,632	1,632	3,471	1.2682		
16	2011		0	1,067	1,526	2,593	0	1,666	1,666	4,259	1.2936		
17	2012		0	7,363	0	7,363	0	1,698	1,698	9,061	1.3195		
18	2013		0	1,871	0	1,871	0	1,734	1,734	3,605	1.3459		
19	2014		0	110	357	467	0	1,767	1,767	2,234	1.3728		
20	2015		0	2,717	0	2,717	0	0	0	2,717	1.4003		
21	2016		0	0	0	0	0	0	0	0	1.4283		
22	2017		0	0	0	0	0	0	0	0	1.4569		
23	2018		0	0	0	0	0	0	0	0	1.4860		
24	2019		0	0	0	0	0	0	0	0	1.5157		
25	2020		0	0	0	0	0	0	0	0	1.5460		
26	2021		0	0	0	0	0	0	0	0	1.5769		
27	2022		0	0	0	0	0	0	0	0	1.6084		
28	2023		0	0	0	0	0	0	0	0	1.6408		
29	2024		0	0	0	0	0	0	0	0	1.6734		
30	2025		0	0	0	0	0	0	0	0	1.7068		
31	2026		0	0	0	0	0	0	0	0	1.7410		
32	2027		0	0	0	0	0	0	0	0	1.7756		
33	2028		0	0	0	0	0	0	0	0	1.8113		
34	2030		0	0	0	0	0	0	0	0	1.8475		
28	TOTAL	8660	\$10,125	\$61,063	\$29,295	\$99,134	\$0	\$24,470	\$24,470	\$122,604			

28 TOTAL PER DEW 10/1/07 SUMMARY - PLUS INFLATION FACTOR AT 1.02000

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CNST\_RELAT (A.A1861 A.AA1620)

CITIZENS UTILITIES COMPANY  
 VILLAGES AT DESERT HILLS -- PROFORMA PROJECTIONS  
 CONSTRUCTION EXPENDITURES BY MONTH  
 (\$ in Thousands)

LINE #	DESCRIPTION	TREATCO OPERATIONS				DISTCO OPERATIONS			TOTAL	ANNUAL RESIDENTIAL CUSTOMERS SERVED
		LAND	WATER RIGHTS	PLANT & OFFSITE	BACKFLOW OR SITE 100000	BACKFLOW OR SITE 0.00000	SUBDIVISION	TOTAL		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	CONSTRUCTION EXPENDITURES									
2	1987									
3	1898	3460	\$1,012	\$12,310	\$3,500	\$0	\$322	\$322	\$17,904	300
4	1899		1,013	4,780	8,370	0	966	966	15,129	700
5	2000		1,012	1,360	350	0	2,752	2,752	4,038	700
6	2001		1,013	365	1,000	0	1,286	1,286	3,656	700
7	2002		1,012	7,870	1,300	0	9,862	9,862	11,269	700
8	2003		1,013	630	460	0	2,103	2,103	3,391	700
9	2004		1,012	1,360	600	0	3,022	3,022	4,309	700
10	2005		1,013	275	2,480	0	3,768	3,768	5,056	700
11	2006		1,012	6,800	2,960	0	9,602	9,602	10,889	700
12	2007		1,013	2,050	1,960	0	4,663	4,663	5,941	700
13	2008			275	0	0	275	275	1,562	700
14	2009			5,960	0	0	5,960	5,960	6,868	700
15	2010			1,360	60	0	1,420	1,420	2,737	700
16	2011			825	1,180	0	2,005	2,005	3,293	700
17	2012			5,580	0	0	5,580	5,580	6,887	700
18	2013			1,360	0	0	1,360	1,360	2,678	700
19	2014			80	360	0	440	440	1,627	700
20	2015			1,940	0	0	1,940	1,940	1,940	700
21	2016			0	0	0	0	0	0	700
22	2017			0	0	0	0	0	0	700
23	2018			0	0	0	0	0	0	600
24	2019			0	0	0	0	0	0	
25	2020			0	0	0	0	0	0	
26	2021			0	0	0	0	0	0	
27	2022			0	0	0	0	0	0	
28	2023			0	0	0	0	0	0	
29	2024			0	0	0	0	0	0	
30	2025			0	0	0	0	0	0	
31	2026			0	0	0	0	0	0	
32	2027			0	0	0	0	0	0	
33	2028			0	0	0	0	0	0	
34	2029			0	0	0	0	0	0	
35	2030			0	0	0	0	0	0	
36	2031			0	0	0	0	0	0	
TOTAL		3460	\$10,125	\$53,510	\$24,160	\$0	\$20,600	\$20,600	\$100,053	12,600

NOTE: Details by Prime Account Provided in Worksheets

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

SCHEDULE B  
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VDM MODEL - FINAL

LINE #	DESCRIPTION	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		BACKBONE ON SITE	DISTCO OPERATIONS SUBDIVISION			TOTAL			SUB-TOTAL	EARNINGS REQUIRED IN SERVICE	TRANSFER TO PLANT IN SERVICE	TOTAL
1	1997 - JULY	80	80						80	80		80
2	-AUGUST	0	0						0	0		0
3	-SEPTEMBER	0	0						0	0		0
4	-OCTOBER	0	0						0	0		0
5	-NOVEMBER	0	0						0	0		0
6	-DECEMBER	0	0						0	0		0
7	TOTAL -- 1997	0	0			0			0	0		0
8	1998 - JANUARY	0	27						27	0		27
9	-FEBRUARY	0	27						27	0		54
10	-MARCH	0	27						27	0		81
11	-APRIL	0	27						27	0		108
12	-MAY	0	27						27	0		135
13	-JUNE	0	27						27	1		163
14	-JULY	0	27						27	1		191
15	-AUGUST	0	27						27	1		219
16	-SEPTEMBER	0	27						27	1		247
17	-OCTOBER	0	27						27	1		275
18	-NOVEMBER	0	27						27	1		303
19	-DECEMBER	0	27						27	1	303	28
20	TOTAL -- 1998	0	324			324			324	4	950	86
21	1999 - JANUARY	0	82						82	0		130
22	-FEBRUARY	0	82						82	0		192
23	-MARCH	0	82						82	0		275
24	-APRIL	0	82						82	1		358
25	-MAY	0	82						82	1		441
26	-JUNE	0	82						82	2		525
27	-JULY	0	82						82	2		609
28	-AUGUST	0	82						82	3		694
29	-SEPTEMBER	0	82						82	3		779
30	-OCTOBER	0	82						82	3		864
31	-NOVEMBER	0	82						82	4		950
32	-DECEMBER	0	82						82	4		86
33	TOTAL -- 1999	0	984			984			984	4	950	86

WOODS, HOGG & CO.

CITIZENS UTILITIES COMPANY  
 VILLAGES AT DESERT HILLS -- PROFORMA PROJECTIONS  
 CONSTRUCTION EXPENDITURES BY MONTH

SCHEDULE B  
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 10/10/97

VM-MODEL -- FINAL

LINE #	DESCRIPTION	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		BACKBONE ON SITE	DISTCO OPERATIONS SUBDIVISION			TOTAL			SUB-TOTAL	EARNINGS REQUIRED	TRANSFER TO PLANT IN SERVICE	TOTAL
		12	12							000000		
34	2000--CONSTRUCTION--EXPENDITURES											
35	-JANUARY	0	112						112	0		112
36	-FEBRUARY	0	112						112	1		113
37	-MARCH	0	112						112	1		113
38	-APRIL	0	112						112	2	-424	275
39	-MAY	0	112						112	0		112
40	-JUNE	0	112						112	1		113
41	-JULY	0	112						112	1	339	225
42	-AUGUST	0	112						112	0		112
43	-SEPTEMBER	0	112						112	1		113
44	-OCTOBER	0	112						112	1	339	225
45	-NOVEMBER	0	112						112	0		112
46	-DECEMBER	0	112						112	1		113
	TOTAL -- 2000	0	1,344			1,344						
47	2001--CONSTRUCTION--EXPENDITURES											
48	-JANUARY	0	114						114	1	318	115
49	-FEBRUARY	0	114						114	0		114
50	-MARCH	0	114						114	1		115
51	-APRIL	0	114						114	0	344	229
52	-MAY	0	114						114	1		115
53	-JUNE	0	114						114	1	344	229
54	-JULY	0	114						114	0		114
55	-AUGUST	0	114						114	1		115
56	-SEPTEMBER	0	114						114	1	344	229
57	-OCTOBER	0	114						114	1		115
58	-NOVEMBER	0	114						114	0		114
59	-DECEMBER	0	114						114	1		115
	TOTAL -- 2001	0	1,368			1,368						
60	2002--CONSTRUCTION--EXPENDITURES											
61	-JANUARY	0	116						116	1	344	117
62	-FEBRUARY	0	116						116	0		116
63	-MARCH	0	116						116	1		117
64	-APRIL	0	116						116	1	350	233
65	-MAY	0	116						116	0		116
66	-JUNE	0	116						116	1		117
67	-JULY	0	116						116	1	350	233
68	-AUGUST	0	116						116	0		116
69	-SEPTEMBER	0	116						116	1		117
70	-OCTOBER	0	116						116	1	350	233
71	-NOVEMBER	0	116						116	0		116
72	-DECEMBER	0	116						116	1		117
	TOTAL -- 2002	0	1,392			1,392						

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DEBERT HILLS - PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

VOID MODEL - FINAL

LINE #	DESCRIPTION	(11) BACKLOG ON SITE	(12) SUBDIVISION	(13) DISTCO OPERATIONS	(14) TOTAL	(15) TOTAL	(16) SUB-TOTAL	(17) EARNINGS REQUIRED	(18) TRANSFER TO PLANT IN SERVICE	(19) TOTAL
<b>CONSTRUCTION EXPENDITURES</b>										
74	2000 - JANUARY	0	119				119	\$1		470
75	-FEBRUARY	0	119				119	2		591
76	-MARCH	0	119				119	3	-712	712
77	-APRIL	0	119				119	1		122
78	-MAY	0	119				119	1		242
79	-JUNE	0	119				119	1		362
80	-JULY	0	119				119	2	-363	131
81	-AUGUST	0	119				119	1		241
82	-SEPTEMBER	0	119				119	1		361
83	-OCTOBER	0	119				119	2	-361	121
84	-NOVEMBER	0	119				119	1		241
85	-DECEMBER	0	119				119	1		361
86	TOTAL - 2003	0	1,428			1,428				
<b>2004</b>										
87	-JANUARY	0	121				121	2	-361	123
88	-FEBRUARY	0	121				121	1		245
89	-MARCH	0	121				121	1		367
90	-APRIL	0	121				121	2	-367	123
91	-MAY	0	121				121	1		245
92	-JUNE	0	121				121	1		367
93	-JULY	0	121				121	2	-367	123
94	-AUGUST	0	121				121	1		245
95	-SEPTEMBER	0	121				121	1		367
96	-OCTOBER	0	121				121	2	-367	123
97	-NOVEMBER	0	121				121	1		245
98	-DECEMBER	0	121				121	1		367
99	TOTAL - 2004	0	1,452			1,452				
<b>2005</b>										
100	-JANUARY	0	123				123	2	-367	125
101	-FEBRUARY	0	123				123	1		248
102	-MARCH	0	123				123	1		373
103	-APRIL	0	123				123	2	-373	125
104	-MAY	0	123				123	1		248
105	-JUNE	0	123				123	1		373
106	-JULY	0	123				123	2	-373	125
107	-AUGUST	0	123				123	1		248
108	-SEPTEMBER	0	123				123	1		373
109	-OCTOBER	0	123				123	2	-373	125
110	-NOVEMBER	0	123				123	1		248
111	-DECEMBER	0	123				123	1		373
112	TOTAL - 2005	0	1,475			1,475				
113										

WOODS + LOGG - 603

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS -- PROFITABLE PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

NON-MODEL -- FINAL

LINE #	DESCRIPTION	DISTCO OPERATIONS												SUB-TOTAL	EARNINGS REQUIRED IN SERVICE	TOTAL	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)					
	BACKBONE ON SITE	12															
	DISTCO OPERATIONS SUBDIVISION	12															
114	2006 - JANUARY	90	8126											126	52	501	
115	-FEBRUARY	0	126											126	2	629	
116	-MARCH	0	126											126	3	758	
117	-APRIL	0	126											126	3	126	
118	-MAY	0	126											126	1	256	
119	-JUNE	0	126											126	1	383	
120	-JULY	0	126											126	2	126	
121	-AUGUST	0	126											126	1	255	
122	-SEPTEMBER	0	126											126	1	362	
123	-OCTOBER	0	126											126	2	255	
124	-NOVEMBER	0	126											126	1	362	
125	-DECEMBER	0	126											126	1	362	
126	TOTAL -- 2006	0	1512											126	1	130	
127	2007 - JANUARY	0	126											126	2	259	
128	-FEBRUARY	0	126											126	1	368	
129	-MARCH	0	126											126	2	130	
130	-APRIL	0	126											126	2	259	
131	-MAY	0	126											126	1	368	
132	-JUNE	0	126											126	1	130	
133	-JULY	0	126											126	2	256	
134	-AUGUST	0	126											126	1	368	
135	-SEPTEMBER	0	126											126	1	130	
136	-OCTOBER	0	126											126	2	259	
137	-NOVEMBER	0	126											126	1	368	
138	-DECEMBER	0	126											126	1	259	
139	TOTAL -- 2007	0	1536											126	1	368	
140	2008 - JANUARY	0	131											131	2	133	
141	-FEBRUARY	0	131											131	1	265	
142	-MARCH	0	131											131	1	397	
143	-APRIL	0	131											131	2	133	
144	-MAY	0	131											131	1	265	
145	-JUNE	0	131											131	1	397	
146	-JULY	0	131											131	2	133	
147	-AUGUST	0	131											131	1	265	
148	-SEPTEMBER	0	131											131	1	397	
149	-OCTOBER	0	131											131	2	133	
150	-NOVEMBER	0	131											131	1	265	
151	-DECEMBER	0	131											131	2	397	
152	TOTAL -- 2008	0	1572											131	1	265	
153																397	

VD-MODEL AB  
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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

YR1 MODEL - FINAL

LINE #	DESCRIPTION	(1) BACKBONE ON SITE	(2) DIST/CO OPERATIONS SUBMISSION	(3)	(4)	(5) TOTAL	(6)	(7)	(8) SUB-TOTAL	(9) EARNINGS REQUIRED	(10) TRANSFER TO PLANT	(11) TOTAL
<b>CONSTRUCTION - EXPENDITURES</b>												
154	2009 - JANUARY	80	\$133						\$133	\$2		532
155	-FEBRUARY	0	133						133	2		687
156	-MARCH	0	133						133	3		803
157	-APRIL	0	133						133	3	-403	136
158	-MAY	0	133						133	1		270
159	-JUNE	0	133						133	1		404
160	-JULY	0	133						133	2	-404	135
161	-AUGUST	0	133						133	1		269
162	-SEPTEMBER	0	133						133	1		403
163	-OCTOBER	0	133						133	2	-403	136
164	-NOVEMBER	0	133						133	1		269
165	-DECEMBER	0	133						133	1		403
166	TOTAL - 2009	0	1,566			1,566						403
<b>2010 -</b>												
167	- JANUARY	0	136						136	2	-403	138
168	- FEBRUARY	0	136						136	1		275
169	- MARCH	0	136						136	1		412
170	- APRIL	0	136						136	2	-412	139
171	- MAY	0	136						136	1		275
172	- JUNE	0	136						136	1		412
173	- JULY	0	136						136	2	-412	138
174	- AUGUST	0	136						136	1		275
175	- SEPTEMBER	0	136						136	1		412
176	- OCTOBER	0	136						136	2	-412	138
177	- NOVEMBER	0	136						136	1		275
178	- DECEMBER	0	136						136	1		412
179	TOTAL - 2010	0	1,632			1,632						412
<b>2011 -</b>												
180	- JANUARY	0	139						139	2	-412	141
181	- FEBRUARY	0	139						139	1		281
182	- MARCH	0	139						139	1		421
183	- APRIL	0	139						139	2	-421	141
184	- MAY	0	139						139	1		281
185	- JUNE	0	139						139	1		421
186	- JULY	0	139						139	2	-421	141
187	- AUGUST	0	139						139	1		281
188	- SEPTEMBER	0	139						139	1		421
189	- OCTOBER	0	139						139	2	-421	141
190	- NOVEMBER	0	139						139	1		281
191	- DECEMBER	0	139						139	1		421
192	TOTAL - 2011	0	1,668			1,668						421
193												

YR1 MODEL nr  
REG\_MO\_CHST\_5 (A1621 A Z1680)

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

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VM MODEL - FINAL

CONSTRUCTION EXPENDITURES BY MONTH

LINE #	DESCRIPTION	BACKBONE		DISTCO OPERATIONS		SUB TOTAL	EARNINGS REBURDED	TRANSFER TO PLANT IN SERVICE	TOTAL
		ON SITE	SUBMISSION						
194	2012 - JANUARY	0	142			142	\$2		565
195	-FEBRUARY	0	142			142	2		709
196	-MARCH	0	142			142	3		854
197	-APRIL	0	142			142	4	484	146
198	-MAY	0	142			142	1		299
199	-JUNE	0	142			142	1		432
200	-JULY	0	142			142	2	432	144
201	-AUGUST	0	142			142	1		287
202	-SEPTEMBER	0	142			142	1		430
203	-OCTOBER	0	142			142	2	430	144
204	-NOVEMBER	0	142			142	1		287
205	-DECEMBER	0	142			142	1		430
206	TOTAL -- 2012	0	1,704			1,704			
207	2013 - JANUARY	0	145			145	2	430	147
208	-FEBRUARY	0	145			145	1		293
209	-MARCH	0	145			145	1		439
210	-APRIL	0	145			145	2	439	147
211	-MAY	0	145			145	1		293
212	-JUNE	0	145			145	1		439
213	-JULY	0	145			145	2	439	147
214	-AUGUST	0	145			145	1		293
215	-SEPTEMBER	0	145			145	1		439
216	-OCTOBER	0	145			145	2	439	147
217	-NOVEMBER	0	145			145	1		293
218	-DECEMBER	0	145			145	1		439
219	TOTAL -- 2013	0	1,740			1,740			
220	2014 - JANUARY	0	147			147	2	439	149
221	-FEBRUARY	0	147			147	1		297
222	-MARCH	0	147			147	1		445
223	-APRIL	0	147			147	2	445	149
224	-MAY	0	147			147	1		297
225	-JUNE	0	147			147	1		445
226	-JULY	0	147			147	2	445	149
227	-AUGUST	0	147			147	1		297
228	-SEPTEMBER	0	147			147	1		445
229	-OCTOBER	0	147			147	2	445	149
230	-NOVEMBER	0	147			147	1		297
231	-DECEMBER	0	147			147	1		445
232	TOTAL -- 2014	0	1,764			1,764			
233									

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

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VEN\_MODEL\_FINAL

LINE #	DESCRIPTION	BACKBONE ON SITE		DISTCO OPERATIONS		TOTAL	SUB-TOTAL	EARNINGS REQUIRED	TRANSFER TO PLANT IN SERVICE	TOTAL	
		(1)	(2)	(3)	(4)						(5)
234	CONSTRUCTION-EXPENDITURES										
235	2015 - JANUARY	0	0	0	0	0	0	0	0	0	0
236	-FEBRUARY	0	0	0	0	0	0	0	0	0	0
237	-MARCH	0	0	0	0	0	0	0	0	0	0
238	-APRIL	0	0	0	0	0	0	0	0	0	0
239	-MAY	0	0	0	0	0	0	0	0	0	0
240	-JUNE	0	0	0	0	0	0	0	0	0	0
241	-JULY	0	0	0	0	0	0	0	0	0	0
242	-AUGUST	0	0	0	0	0	0	0	0	0	0
243	-SEPTEMBER	0	0	0	0	0	0	0	0	0	0
244	-OCTOBER	0	0	0	0	0	0	0	0	0	0
245	-NOVEMBER	0	0	0	0	0	0	0	0	0	0
246	-DECEMBER	0	0	0	0	0	0	0	0	0	0
	TOTAL - 2015	0	0	0	0	0	0	0	0	0	0
247	2016 - JANUARY	0	0	0	0	0	0	0	0	0	0
248	-FEBRUARY	0	0	0	0	0	0	0	0	0	0
249	-MARCH	0	0	0	0	0	0	0	0	0	0
250	-APRIL	0	0	0	0	0	0	0	0	0	0
251	-MAY	0	0	0	0	0	0	0	0	0	0
252	-JUNE	0	0	0	0	0	0	0	0	0	0
253	-JULY	0	0	0	0	0	0	0	0	0	0
254	-AUGUST	0	0	0	0	0	0	0	0	0	0
255	-SEPTEMBER	0	0	0	0	0	0	0	0	0	0
256	-OCTOBER	0	0	0	0	0	0	0	0	0	0
257	-NOVEMBER	0	0	0	0	0	0	0	0	0	0
258	-DECEMBER	0	0	0	0	0	0	0	0	0	0
	TOTAL - 2016	0	0	0	0	0	0	0	0	0	0
260	2017 - JANUARY	0	0	0	0	0	0	0	0	0	0
261	-FEBRUARY	0	0	0	0	0	0	0	0	0	0
262	-MARCH	0	0	0	0	0	0	0	0	0	0
263	-APRIL	0	0	0	0	0	0	0	0	0	0
264	-MAY	0	0	0	0	0	0	0	0	0	0
265	-JUNE	0	0	0	0	0	0	0	0	0	0
266	-JULY	0	0	0	0	0	0	0	0	0	0
267	-AUGUST	0	0	0	0	0	0	0	0	0	0
268	-SEPTEMBER	0	0	0	0	0	0	0	0	0	0
269	-OCTOBER	0	0	0	0	0	0	0	0	0	0
270	-NOVEMBER	0	0	0	0	0	0	0	0	0	0
271	-DECEMBER	0	0	0	0	0	0	0	0	0	0
272	TOTAL - 2017	0	0	0	0	0	0	0	0	0	0
273											

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

CONSTRUCTION EXPENDITURES BY MONTH

VDH MODEL - FINAL

LINE #	DESCRIPTION	BACKLOG		DISTCO OPERATIONS		TOTAL	(3)	(4)	(5)	(6)	(7)	(8)	(9)	EARNINGS REQUIRED IN SERVICE	TRANSFER TO PLANT IN SERVICE	TOTAL
		ON SITE	SUBDIVISION	ON SITE	SUBDIVISION											
274	2018 - JANUARY	0	90	0	0	0								90	0	0
275	-FEBRUARY	0	0	0	0	0								0	0	0
276	-MARCH	0	0	0	0	0								0	0	0
277	-APRIL	0	0	0	0	0								0	0	0
278	-MAY	0	0	0	0	0								0	0	0
279	-JUNE	0	0	0	0	0								0	0	0
280	-JULY	0	0	0	0	0								0	0	0
281	-AUGUST	0	0	0	0	0								0	0	0
282	-SEPTEMBER	0	0	0	0	0								0	0	0
283	-OCTOBER	0	0	0	0	0								0	0	0
284	-NOVEMBER	0	0	0	0	0								0	0	0
285	-DECEMBER	0	0	0	0	0								0	0	0
286	TOTAL -- 2018	0	90	0	0	0								90	0	0
287	2019 - JANUARY	0	0	0	0	0								0	0	0
288	-FEBRUARY	0	0	0	0	0								0	0	0
289	-MARCH	0	0	0	0	0								0	0	0
290	-APRIL	0	0	0	0	0								0	0	0
291	-MAY	0	0	0	0	0								0	0	0
292	-JUNE	0	0	0	0	0								0	0	0
293	-JULY	0	0	0	0	0								0	0	0
294	-AUGUST	0	0	0	0	0								0	0	0
295	-SEPTEMBER	0	0	0	0	0								0	0	0
296	-OCTOBER	0	0	0	0	0								0	0	0
297	-NOVEMBER	0	0	0	0	0								0	0	0
298	-DECEMBER	0	0	0	0	0								0	0	0
299	TOTAL -- 2019	0	0	0	0	0								0	0	0
300	2020 - JANUARY	0	0	0	0	0								0	0	0
301	-FEBRUARY	0	0	0	0	0								0	0	0
302	-MARCH	0	0	0	0	0								0	0	0
303	-APRIL	0	0	0	0	0								0	0	0
304	-MAY	0	0	0	0	0								0	0	0
305	-JUNE	0	0	0	0	0								0	0	0
306	-JULY	0	0	0	0	0								0	0	0
307	-AUGUST	0	0	0	0	0								0	0	0
308	-SEPTEMBER	0	0	0	0	0								0	0	0
309	-OCTOBER	0	0	0	0	0								0	0	0
310	-NOVEMBER	0	0	0	0	0								0	0	0
311	-DECEMBER	0	0	0	0	0								0	0	0
312	TOTAL -- 2020	0	0	0	0	0								0	0	0

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CITIZENS UTILITIES COMPANY  
 VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
 CONSTRUCTION EXPENDITURES BY MONTH

SCHEDULE C  
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VOH MODEL - FINAL

LINE #	DESCRIPTION	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		LAND	WATER RIGHTS	PLANT & OFFSITE	OPERATIONS & BACKBONE ON SITE	TOTAL			SUB-TOTAL	EARNINGS REQUIRED	TRANSFER TO PLANT IN SERVICE	TOTAL
			12	12	12	12				0.00187		
1	CONSTRUCTION-EXPENDITURES											
2	1997-JULY	80	0	80	80	80			80	0		80
3	-AUGUST	0	0	0	0	0			0	0		0
4	-SEPTEMBER	0	0	0	0	0			0	0		0
5	-OCTOBER	0	0	0	0	0			0	0		0
6	-NOVEMBER	0	0	0	0	0			0	0		0
7	-DECEMBER	0	0	0	0	0			0	0		0
	TOTAL - 1997	80	0	80	80	80			80	0		80
8	1998-JANUARY	660	84	1,026	292	2,062			2,062	0		2,062
9	-FEBRUARY	0	84	1,026	292	1,402			1,402	0		1,402
10	-MARCH	0	84	1,026	292	1,402			1,402	14		1,416
11	-APRIL	0	84	1,026	292	1,402			1,402	20		1,422
12	-MAY	0	84	1,026	292	1,402			1,402	26		1,428
13	-JUNE	0	84	1,026	292	1,402			1,402	32		1,434
14	-JULY	0	84	1,026	292	1,402			1,402	38		1,440
15	-AUGUST	0	84	1,026	292	1,402			1,402	44		1,446
16	-SEPTEMBER	0	84	1,026	292	1,402			1,402	50		1,452
17	-OCTOBER	0	84	1,026	292	1,402			1,402	56		1,458
18	-NOVEMBER	0	84	1,026	292	1,402			1,402	62		1,464
19	-DECEMBER	0	84	1,026	292	1,402			1,402	68	-16,433	1,470
20	TOTAL - 1998	660	1,008	12,312	3,504	17,484			17,484			17,484
21	1999-JANUARY	0	84	408	711	1,201			1,201	6		1,207
22	-FEBRUARY	0	84	408	711	1,201			1,201	11		1,212
23	-MARCH	0	84	408	711	1,201			1,201	16		1,217
24	-APRIL	0	84	408	711	1,201			1,201	21		1,222
25	-MAY	0	84	408	711	1,201			1,201	26		1,227
26	-JUNE	0	84	408	711	1,201			1,201	31		1,232
27	-JULY	0	84	408	711	1,201			1,201	37		1,238
28	-AUGUST	0	84	408	711	1,201			1,201	42		1,244
29	-SEPTEMBER	0	84	408	711	1,201			1,201	47		1,250
30	-OCTOBER	0	84	408	711	1,201			1,201	52		1,256
31	-NOVEMBER	0	84	408	711	1,201			1,201	57		1,262
32	-DECEMBER	0	84	408	711	1,201			1,201	63	-15,027	1,268
33	TOTAL - 1999	0	1,008	4,872	8,532	14,412			14,412			14,412

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CITIZENS UTILITIES COMPANY  
 VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
 CONSTRUCTION EXPENDITURES BY MONTH

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VDL MODEL - FINAL

11 12 13 14 15 16 17 18 19 20 21

LINE #	DESCRIPTION	TREATCO OPERATIONS												SUB-TOTAL	EARNINGS REQUIRED	TRANSFER TO PLANT IN SERVICE	TOTAL			
		LAND	WATER RIGHTS	PLANT & OFFSITE	BACKBONE ON SITE	TOTAL														
<b>CONSTRUCTION EXPENDITURES</b>																				
34	2000 - JANUARY	0	0	121	30												235	5		1,504
35	-FEBRUARY	0	0	121	30												235	6		1,745
36	-MARCH	0	0	121	30												235	7		1,987
37	-APRIL	0	0	121	30												235	8		2,230
38	-MAY	0	0	121	30												235	9		2,474
39	-JUNE	0	0	121	30												235	10		2,719
40	-JULY	0	0	121	30												235	11		2,965
41	-AUGUST	0	0	121	30												235	12		3,212
42	-SEPTEMBER	0	0	121	30												235	13		3,460
43	-OCTOBER	0	0	121	30												235	14		3,709
44	-NOVEMBER	0	0	121	30												235	15		3,959
45	-DECEMBER	0	0	121	30												235	16		4,204
46	TOTAL - 2000	0	1,008	1,452	360															2,820
<b>2001</b>																				
47	-JANUARY	0	0	31	00												203	1		655
48	-FEBRUARY	0	0	31	00												203	2		660
49	-MARCH	0	0	31	00												203	3		666
50	-APRIL	0	0	31	00												203	4		1,073
51	-MAY	0	0	31	00												203	4		1,280
52	-JUNE	0	0	31	00												203	5		1,488
53	-JULY	0	0	31	00												203	6		1,697
54	-AUGUST	0	0	31	00												203	7		1,907
55	-SEPTEMBER	0	0	31	00												203	8		2,118
56	-OCTOBER	0	0	31	00												203	9		2,330
57	-NOVEMBER	0	0	31	00												203	10		2,543
58	-DECEMBER	0	0	31	00												203	11		2,754
59	TOTAL - 2001	0	1,008	372	1,056															2,543
<b>2002</b>																				
60	-JANUARY	0	0	682	117												893	1		1,108
61	-FEBRUARY	0	0	682	117												893	5		2,006
62	-MARCH	0	0	682	117												893	8		2,907
63	-APRIL	0	0	682	117												893	12		3,812
64	-MAY	0	0	682	117												893	16		4,721
65	-JUNE	0	0	682	117												893	20		5,634
66	-JULY	0	0	682	117												893	23		6,550
67	-AUGUST	0	0	682	117												893	27		7,470
68	-SEPTEMBER	0	0	682	117												893	31		8,394
69	-OCTOBER	0	0	682	117												893	35		9,322
70	-NOVEMBER	0	0	682	117												893	39		10,254
71	-DECEMBER	0	0	682	117												893	43		11,188
72	TOTAL - 2002	0	1,008	8,304	1,824															10,254
73	TOTAL - 2000-2002	0	3,024	10,716	2,436															25,433

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

SCHEDULE C  
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FINAL MODEL - FINAL

LINE #	DESCRIPTION	(1)	(2)	(3)	(4)	TREATCO OPERATIONS		SUB-TOTAL	(9)	(10)	(11)
						PLANT & OFF-SITE	BACKSOME ON-SITE				
74	CONSTRUCTION EXPENDITURES										
75	2003 - JANUARY	0	0	0	0	0	0	0	0	0	0
76	-FEBRUARY	0	0	0	0	0	0	0	0	0	0
77	-MARCH	0	0	0	0	0	0	0	0	0	0
78	-APRIL	0	0	0	0	0	0	0	0	0	0
79	-MAY	0	0	0	0	0	0	0	0	0	0
80	-JUNE	0	0	0	0	0	0	0	0	0	0
81	-JULY	0	0	0	0	0	0	0	0	0	0
82	-AUGUST	0	0	0	0	0	0	0	0	0	0
83	-SEPTEMBER	0	0	0	0	0	0	0	0	0	0
84	-OCTOBER	0	0	0	0	0	0	0	0	0	0
85	-NOVEMBER	0	0	0	0	0	0	0	0	0	0
86	-DECEMBER	0	0	0	0	0	0	0	0	0	0
	TOTAL - 2003	0	0	0	0	0	0	0	0	0	0
87	2004 - JANUARY	0	0	0	0	0	0	0	0	0	0
88	-FEBRUARY	0	0	0	0	0	0	0	0	0	0
89	-MARCH	0	0	0	0	0	0	0	0	0	0
90	-APRIL	0	0	0	0	0	0	0	0	0	0
91	-MAY	0	0	0	0	0	0	0	0	0	0
92	-JUNE	0	0	0	0	0	0	0	0	0	0
93	-JULY	0	0	0	0	0	0	0	0	0	0
94	-AUGUST	0	0	0	0	0	0	0	0	0	0
95	-SEPTEMBER	0	0	0	0	0	0	0	0	0	0
96	-OCTOBER	0	0	0	0	0	0	0	0	0	0
97	-NOVEMBER	0	0	0	0	0	0	0	0	0	0
98	-DECEMBER	0	0	0	0	0	0	0	0	0	0
	TOTAL - 2004	0	0	0	0	0	0	0	0	0	0
100	2005 - JANUARY	0	0	0	0	0	0	0	0	0	0
101	-FEBRUARY	0	0	0	0	0	0	0	0	0	0
102	-MARCH	0	0	0	0	0	0	0	0	0	0
103	-APRIL	0	0	0	0	0	0	0	0	0	0
104	-MAY	0	0	0	0	0	0	0	0	0	0
105	-JUNE	0	0	0	0	0	0	0	0	0	0
106	-JULY	0	0	0	0	0	0	0	0	0	0
107	-AUGUST	0	0	0	0	0	0	0	0	0	0
108	-SEPTEMBER	0	0	0	0	0	0	0	0	0	0
109	-OCTOBER	0	0	0	0	0	0	0	0	0	0
110	-NOVEMBER	0	0	0	0	0	0	0	0	0	0
111	-DECEMBER	0	0	0	0	0	0	0	0	0	0
112	TOTAL - 2005	0	0	0	0	0	0	0	0	0	0
113											

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

VDH MODEL - FINAL

LINE #	DESCRIPTION	(1)	(2)	(3)	(4)	TREATCO OPERATIONS		(8)	(9)	(10)	(11)
						LAND	WATER RIGHTS				
<b>CONSTRUCTION-EXPENDITURES</b>											
114	2006 - JANUARY	0	0	0	0	0	0	0	0	0	0
115	-FEBRUARY	0	84	547	292	0	0	923	52	0	1,289
116	-MARCH	0	84	547	292	0	0	923	5	0	2,217
117	-APRIL	0	84	547	292	0	0	923	9	0	3,149
118	-MAY	0	84	547	292	0	0	923	13	0	4,085
119	-JUNE	0	84	547	292	0	0	923	17	0	5,025
120	-JULY	0	84	547	292	0	0	923	21	0	5,969
121	-AUGUST	0	84	547	292	0	0	923	25	0	6,917
122	-SEPTEMBER	0	84	547	292	0	0	923	29	0	7,869
123	-OCTOBER	0	84	547	292	0	0	923	33	0	8,825
124	-NOVEMBER	0	84	547	292	0	0	923	37	0	9,785
125	-DECEMBER	0	84	547	292	0	0	923	41	0	10,749
126	TOTAL - 2006	0	1,008	6,954	2,952	0	0	923	45	-10,749	968
127	2007 - JANUARY	0	84	204	158	0	0	446	4	0	1,418
128	-FEBRUARY	0	84	204	158	0	0	446	6	0	1,870
129	-MARCH	0	84	204	158	0	0	446	8	0	2,324
130	-APRIL	0	84	204	158	0	0	446	10	0	2,780
131	-MAY	0	84	204	158	0	0	446	12	0	3,238
132	-JUNE	0	84	204	158	0	0	446	13	0	3,697
133	-JULY	0	84	204	158	0	0	446	15	0	4,158
134	-AUGUST	0	84	204	158	0	0	446	17	0	4,621
135	-SEPTEMBER	0	84	204	158	0	0	446	19	0	5,086
136	-OCTOBER	0	84	204	158	0	0	446	21	0	5,553
137	-NOVEMBER	0	84	204	158	0	0	446	23	0	6,022
138	-DECEMBER	0	84	204	158	0	0	446	25	-6,022	471
139	TOTAL - 2007	0	1,008	2,448	1,656	0	0	446	25	-6,022	471
140	2008 - JANUARY	0	0	28	0	0	0	28	2	0	501
141	-FEBRUARY	0	0	28	0	0	0	28	2	0	531
142	-MARCH	0	0	28	0	0	0	28	2	0	561
143	-APRIL	0	0	28	0	0	0	28	2	0	591
144	-MAY	0	0	28	0	0	0	28	2	0	621
145	-JUNE	0	0	28	0	0	0	28	3	0	652
146	-JULY	0	0	28	0	0	0	28	3	0	683
147	-AUGUST	0	0	28	0	0	0	28	3	0	714
148	-SEPTEMBER	0	0	28	0	0	0	28	3	0	745
149	-OCTOBER	0	0	28	0	0	0	28	3	0	776
150	-NOVEMBER	0	0	28	0	0	0	28	3	0	807
151	-DECEMBER	0	0	28	0	0	0	28	3	0	807
152	TOTAL - 2008	0	0	336	0	0	0	28	3	807	31
153		0	0	336	0	0	0	336			

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

VDH MODEL - FINAL

(1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11)

LINE #	DESCRIPTION	LAND	WATER RIGHTS	PLANT & OFFSITE	OPERATIONS ON SITE	TOTAL	SUB-TOTAL	EARNINGS REQUIRED	TRANSFER TO PLANT IN SERVICE	TOTAL
<b>CONSTRUCTION EXPENDITURES</b>										
154	2009 - JANUARY	0	0	0	0	0	0	0	0	0
155	-FEBRUARY	0	0	0	0	0	0	0	0	0
156	-MARCH	0	0	0	0	0	0	0	0	0
157	-APRIL	0	0	0	0	0	0	0	0	0
158	-MAY	0	0	0	0	0	0	0	0	0
159	-JUNE	0	0	0	0	0	0	0	0	0
160	-JULY	0	0	0	0	0	0	0	0	0
161	-AUGUST	0	0	0	0	0	0	0	0	0
162	-SEPTEMBER	0	0	0	0	0	0	0	0	0
163	-OCTOBER	0	0	0	0	0	0	0	0	0
164	-NOVEMBER	0	0	0	0	0	0	0	0	0
165	-DECEMBER	0	0	0	0	0	0	0	0	0
166	TOTAL - 2009	0	0	0	0	0	0	0	0	0
167	2010 - JANUARY	0	0	147	0	147	153	3	0	761
168	-FEBRUARY	0	0	147	0	147	153	3	0	917
169	-MARCH	0	0	147	0	147	153	4	0	1074
170	-APRIL	0	0	147	0	147	153	4	0	1231
171	-MAY	0	0	147	0	147	153	5	0	1389
172	-JUNE	0	0	147	0	147	153	6	0	1548
173	-JULY	0	0	147	0	147	153	6	0	1707
174	-AUGUST	0	0	147	0	147	153	7	0	1867
175	-SEPTEMBER	0	0	147	0	147	153	8	0	2028
176	-OCTOBER	0	0	147	0	147	153	8	0	2189
177	-NOVEMBER	0	0	147	0	147	153	9	0	2351
178	-DECEMBER	0	0	147	0	147	153	10	0	2514
179	TOTAL - 2010	0	0	1,764	0	1,764	1,836	72	0	18,356
180	2011 - JANUARY	0	0	89	127	216	216	1	0	390
181	-FEBRUARY	0	0	89	127	216	216	2	0	588
182	-MARCH	0	0	89	127	216	216	2	0	816
183	-APRIL	0	0	89	127	216	216	3	0	1,035
184	-MAY	0	0	89	127	216	216	4	0	1,255
185	-JUNE	0	0	89	127	216	216	5	0	1,476
186	-JULY	0	0	89	127	216	216	6	0	1,698
187	-AUGUST	0	0	89	127	216	216	7	0	1,921
188	-SEPTEMBER	0	0	89	127	216	216	8	0	2,145
189	-OCTOBER	0	0	89	127	216	216	9	0	2,370
190	-NOVEMBER	0	0	89	127	216	216	10	0	2,596
191	-DECEMBER	0	0	89	127	216	216	11	0	2,822
192	TOTAL - 2011	0	0	1,058	1,524	2,582	2,582	77	0	28,222
193										

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

CONSTRUCTION EXPENDITURES BY MONTH

VOL MODEL - FINAL

LINE #	DESCRIPTION	(1)	(2)	(3)	(4)	SUB-TOTAL	(9)	EARNINGS REQUIRED DOLLARS	(10)	(11)
<b>CONSTRUCTION EXPENDITURES</b>										
<b>2012</b>										
194	JANUARY	0	0	0	0	0	0	0	0	0
195	FEBRUARY	0	0	0	0	0	0	0	0	0
196	MARCH	0	0	0	0	0	0	0	0	0
197	APRIL	0	0	0	0	0	0	0	0	0
198	MAY	0	0	0	0	0	0	0	0	0
199	JUNE	0	0	0	0	0	0	0	0	0
200	JULY	0	0	0	0	0	0	0	0	0
201	AUGUST	0	0	0	0	0	0	0	0	0
202	SEPTEMBER	0	0	0	0	0	0	0	0	0
203	OCTOBER	0	0	0	0	0	0	0	0	0
204	NOVEMBER	0	0	0	0	0	0	0	0	0
205	DECEMBER	0	0	0	0	0	0	0	0	0
206	TOTAL - 2012	0	0	0	0	0	0	0	0	0
<b>2013</b>										
207	JANUARY	0	0	0	0	0	0	0	0	0
208	FEBRUARY	0	0	0	0	0	0	0	0	0
209	MARCH	0	0	0	0	0	0	0	0	0
210	APRIL	0	0	0	0	0	0	0	0	0
211	MAY	0	0	0	0	0	0	0	0	0
212	JUNE	0	0	0	0	0	0	0	0	0
213	JULY	0	0	0	0	0	0	0	0	0
214	AUGUST	0	0	0	0	0	0	0	0	0
215	SEPTEMBER	0	0	0	0	0	0	0	0	0
216	OCTOBER	0	0	0	0	0	0	0	0	0
217	NOVEMBER	0	0	0	0	0	0	0	0	0
218	DECEMBER	0	0	0	0	0	0	0	0	0
219	TOTAL - 2013	0	0	0	0	0	0	0	0	0
<b>2014</b>										
220	JANUARY	0	0	0	0	0	0	0	0	0
221	FEBRUARY	0	0	0	0	0	0	0	0	0
222	MARCH	0	0	0	0	0	0	0	0	0
223	APRIL	0	0	0	0	0	0	0	0	0
224	MAY	0	0	0	0	0	0	0	0	0
225	JUNE	0	0	0	0	0	0	0	0	0
226	JULY	0	0	0	0	0	0	0	0	0
227	AUGUST	0	0	0	0	0	0	0	0	0
228	SEPTEMBER	0	0	0	0	0	0	0	0	0
229	OCTOBER	0	0	0	0	0	0	0	0	0
230	NOVEMBER	0	0	0	0	0	0	0	0	0
231	DECEMBER	0	0	0	0	0	0	0	0	0
232	TOTAL - 2014	0	0	0	0	0	0	0	0	0

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS -- PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

VOL. MODEL -- FINAL

LINE #	DESCRIPTION	[1]	[2]	[3]	[4]	TREATED OPERATIONS		SUB-TOTAL	[9]	[10]	[11]
						WATER RIGHTS	PLANT & OFF-SITE				
<b>CONSTRUCTION-EXPENDITURES</b>											
234	2015 - JANUARY	0	0	0	0	0	0	\$226	0	0	269
235	-FEBRUARY	0	0	0	0	0	0	226	1	0	495
236	-MARCH	0	0	0	0	0	0	226	2	0	723
237	-APRIL	0	0	0	0	0	0	226	3	0	952
238	-MAY	0	0	0	0	0	0	226	4	0	1,182
239	-JUNE	0	0	0	0	0	0	226	5	0	1,413
240	-JULY	0	0	0	0	0	0	226	6	0	1,645
241	-AUGUST	0	0	0	0	0	0	226	7	0	1,878
242	-SEPTEMBER	0	0	0	0	0	0	226	8	0	2,112
243	-OCTOBER	0	0	0	0	0	0	226	9	0	2,347
244	-NOVEMBER	0	0	0	0	0	0	226	10	0	2,583
245	-DECEMBER	0	0	0	0	0	0	226	11	-2,583	237
246	TOTAL -- 2015	0	0	2,712	0	0	2,712	0	0	0	0
247	2016 - JANUARY	0	0	0	0	0	0	0	1	0	238
248	-FEBRUARY	0	0	0	0	0	0	0	1	0	238
249	-MARCH	0	0	0	0	0	0	0	1	0	240
250	-APRIL	0	0	0	0	0	0	0	1	0	241
251	-MAY	0	0	0	0	0	0	0	1	0	242
252	-JUNE	0	0	0	0	0	0	0	1	0	243
253	-JULY	0	0	0	0	0	0	0	1	0	244
254	-AUGUST	0	0	0	0	0	0	0	1	0	245
255	-SEPTEMBER	0	0	0	0	0	0	0	1	0	246
256	-OCTOBER	0	0	0	0	0	0	0	1	0	247
257	-NOVEMBER	0	0	0	0	0	0	0	1	0	248
258	-DECEMBER	0	0	0	0	0	0	0	1	248	1
259	TOTAL -- 2016	0	0	0	0	0	0	0	0	0	0
260	2017 - JANUARY	0	0	0	0	0	0	0	0	0	1
261	-FEBRUARY	0	0	0	0	0	0	0	0	0	1
262	-MARCH	0	0	0	0	0	0	0	0	0	1
263	-APRIL	0	0	0	0	0	0	0	0	0	1
264	-MAY	0	0	0	0	0	0	0	0	0	1
265	-JUNE	0	0	0	0	0	0	0	0	0	1
266	-JULY	0	0	0	0	0	0	0	0	0	1
267	-AUGUST	0	0	0	0	0	0	0	0	0	1
268	-SEPTEMBER	0	0	0	0	0	0	0	0	0	1
269	-OCTOBER	0	0	0	0	0	0	0	0	0	1
270	-NOVEMBER	0	0	0	0	0	0	0	0	0	1
271	-DECEMBER	0	0	0	0	0	0	0	0	0	1
272	TOTAL -- 2017	0	0	0	0	0	0	0	0	0	0
273											

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
CONSTRUCTION EXPENDITURES BY MONTH

VCM MODEL - FINAL

LINE #	DESCRIPTION	[11]		[12]	[13]	[14]	[8]	[9]	[10]	[11]
		LAND	WATER RIGHTS	TREATCO OPERATIONS PLANT & OFFSITE	BACKSORE ON SITE	TOTAL	SUB-TOTAL	EARNINGS REQUIRED	TRANSFER TO PLANT IN SERVICE	TOTAL
274	CONSTRUCTION EXPENDITURES									
275	2018 - JANUARY	50	50	50	50	50	50	50	0	0
276	-FEBRUARY	0	0	0	0	0	0	0	0	0
277	-MARCH	0	0	0	0	0	0	0	0	0
278	-APRIL	0	0	0	0	0	0	0	0	0
279	-MAY	0	0	0	0	0	0	0	0	0
280	-JUNE	0	0	0	0	0	0	0	0	0
281	-JULY	0	0	0	0	0	0	0	0	0
282	-AUGUST	0	0	0	0	0	0	0	0	0
283	-SEPTEMBER	0	0	0	0	0	0	0	0	0
284	-OCTOBER	0	0	0	0	0	0	0	0	0
285	-NOVEMBER	0	0	0	0	0	0	0	0	0
286	-DECEMBER	0	0	0	0	0	0	0	0	0
	TOTAL -- 2018	50	50	50	50	50	50	50	0	0
287	2019 - JANUARY	0	0	0	0	0	0	0	0	0
288	-FEBRUARY	0	0	0	0	0	0	0	0	0
289	-MARCH	0	0	0	0	0	0	0	0	0
290	-APRIL	0	0	0	0	0	0	0	0	0
291	-MAY	0	0	0	0	0	0	0	0	0
292	-JUNE	0	0	0	0	0	0	0	0	0
293	-JULY	0	0	0	0	0	0	0	0	0
294	-AUGUST	0	0	0	0	0	0	0	0	0
295	-SEPTEMBER	0	0	0	0	0	0	0	0	0
296	-OCTOBER	0	0	0	0	0	0	0	0	0
297	-NOVEMBER	0	0	0	0	0	0	0	0	0
298	-DECEMBER	0	0	0	0	0	0	0	0	0
299	TOTAL -- 2019	0	0	0	0	0	0	0	0	0
300	2020 - JANUARY	0	0	0	0	0	0	0	0	0
301	-FEBRUARY	0	0	0	0	0	0	0	0	0
302	-MARCH	0	0	0	0	0	0	0	0	0
303	-APRIL	0	0	0	0	0	0	0	0	0
304	-MAY	0	0	0	0	0	0	0	0	0
305	-JUNE	0	0	0	0	0	0	0	0	0
306	-JULY	0	0	0	0	0	0	0	0	0
307	-AUGUST	0	0	0	0	0	0	0	0	0
308	-SEPTEMBER	0	0	0	0	0	0	0	0	0
309	-OCTOBER	0	0	0	0	0	0	0	0	0
310	-NOVEMBER	0	0	0	0	0	0	0	0	0
311	-DECEMBER	0	0	0	0	0	0	0	0	0
312	TOTAL -- 2020	0	0	0	0	0	0	0	0	0
313										

VCM MODEL #18  
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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PRO FORMA PROJECTIONS

NUMBER OF CUSTOMERS - ENSTCO  
(\$ in Thousands)

VDH MODEL - FINAL

LINE #	DESCRIPTION	REFERENCE	2002												TOTAL YEAR	
			JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER		
1	RESIDENTIAL - 3/8" METER		1,750	1,800	1,865	1,925	1,983	2,041	2,100	2,158	2,216	2,275	2,333	2,391	2,450	2,508
2	# AT BEGINNING OF MONTH	DATA SHEET 1	55	55	55	55	55	55	55	55	55	55	55	55	55	55
2	NET ADDED DURING MONTH		1,695	1,745	1,810	1,870	1,928	1,986	2,044	2,102	2,160	2,218	2,276	2,334	2,392	2,450
3	# AT END OF MONTH		1,800	1,855	1,910	1,965	2,020	2,075	2,130	2,185	2,240	2,295	2,350	2,405	2,460	2,515
4	AVERAGE FOR MONTH		1,775	1,827	1,885	1,943	2,002	2,061	2,120	2,179	2,238	2,297	2,356	2,415	2,474	2,533
5	RESIDENTIAL - MULTIPLE METER		220	228	235	242	250	257	264	272	279	286	294	301	308	315
5	# AT BEGINNING OF MONTH		8	7	7	6	7	7	8	7	7	8	7	7	7	8
5	NET ADDED DURING MONTH	12-5025	212	221	228	236	243	250	257	264	271	278	285	292	299	306
6	(As a % of 3/8" Meter Customers Added)		22.8	23.5	24.2	24.9	25.6	26.3	27.0	27.7	28.4	29.1	29.8	30.5	31.2	31.9
7	# AT END OF MONTH		228	235	242	249	256	263	270	277	284	291	298	305	312	319
8	AVERAGE FOR MONTH		224	232	239	246	254	261	268	275	282	289	296	303	310	317
9	COMMERCIAL CUSTOMERS		45	46	46	46	46	46	46	46	46	46	46	46	46	46
9	# AT BEGINNING OF MONTH		1	1	1	1	1	1	1	1	1	1	1	1	1	1
9	NET ADDED DURING MONTH	2-5025	44	45	45	45	45	45	45	45	45	45	45	45	45	45
10	(As a % of Total 3/8" Meter Customers)		4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
11	# AT END OF MONTH		46	46	46	46	46	46	46	46	46	46	46	46	46	46
12	AVERAGE FOR MONTH		45	46	46	46	46	46	46	46	46	46	46	46	46	46
13	LARGE COMMERCIAL CUSTOMERS		10	10	10	11	11	11	11	12	12	12	12	12	12	12
13	# AT BEGINNING OF MONTH		0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	NET ADDED DURING MONTH	DATA SHEET 1	10	10	10	11	11	11	11	12	12	12	12	12	12	12
14	(As a % of Total 3/8" Meter Customers)		1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
15	# AT END OF MONTH		10	10	11	11	11	11	12	12	12	12	12	12	12	12
16	AVERAGE FOR MONTH		10	10	11	11	11	11	12	12	12	12	12	12	12	12
17	OTHER CUSTOMERS		5	5	5	5	5	5	5	5	5	5	5	5	5	5
17	# AT BEGINNING OF MONTH		0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	NET ADDED DURING MONTH	DATA SHEET 1	5	5	5	5	5	5	5	5	5	5	5	5	5	5
18	(As a % of Total 3/8" Meter Customers)		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
19	# AT END OF MONTH		5	5	5	5	5	5	5	5	5	5	5	5	5	5
20	AVERAGE FOR MONTH		5	5	5	5	5	5	5	5	5	5	5	5	5	5
21	TOTAL CUSTOMERS		2,030	2,097	2,164	2,232	2,300	2,368	2,436	2,504	2,572	2,640	2,708	2,776	2,844	2,912
21	# AT BEGINNING OF MONTH		62	62	62	62	62	62	62	62	62	62	62	62	62	62
21	NET ADDED DURING MONTH		1,968	2,035	2,102	2,170	2,238	2,306	2,374	2,442	2,510	2,578	2,646	2,714	2,782	2,850
22	# AT END OF MONTH		2,097	2,164	2,232	2,300	2,368	2,436	2,504	2,572	2,640	2,708	2,776	2,844	2,912	2,980
23	AVERAGE FOR MONTH		2,064	2,131	2,198	2,266	2,333	2,401	2,469	2,537	2,604	2,672	2,740	2,808	2,876	2,944

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
SALES, PRODUCTION & TREATMENT REQUIREMENTS - DS110  
(\$ in thousands)

MODEL - FINAL

LINE #	DESCRIPTION	REFERENCE	2001												TOTAL YEAR
			JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
1	RESIDENTIAL - 5/8" METER		1,079	1,127	1,198	1,254	1,312	1,371	1,429	1,487	1,546	1,604	1,662	1,721	17,211
2	AVERAGE USAGE/CUSTOMER IN "M" GAL	DATA SHEET 1	12	12	12	12	12	12	12	12	12	12	12	12	12
3	TOTAL USAGE FOR MONTH		12,868	13,824	14,386	15,058	16,272	16,458	17,138	17,855	18,552	19,268	19,985	20,702	201,628
4	WATER PRODUCTION REQUIRED	1.10	14,243	15,008	15,787	16,553	17,318	18,092	18,863	19,629	20,402	21,172	21,948	22,717	221,272
5	FLOW FOR W/W TREATMENT	0.80	7,308	8,166	8,611	9,028	9,456	9,871	10,289	10,708	11,131	11,549	11,968	12,391	120,854
6	RESIDENTIAL - MULTIPLE METER		136	144	151	158	166	173	180	188	195	202	210	217	2,177
7	AVERAGE # OF CUSTOMERS	0.8	9	9	9	9	9	9	9	9	9	9	9	9	9
8	AVERAGE USAGE/CUSTOMER IN "M" GAL	(1.0 * 5.8')	1,263	1,265	1,265	1,272	1,282	1,287	1,292	1,297	1,302	1,307	1,312	1,317	13,090
9	TOTAL USAGE FOR MONTH		1,263	1,265	1,265	1,272	1,282	1,287	1,292	1,297	1,302	1,307	1,312	1,317	13,090
10	WATER PRODUCTION REQUIRED	1.10	1,389	1,428	1,485	1,563	1,643	1,723	1,782	1,861	1,941	2,000	2,079	2,148	20,888
11	FLOW FOR W/W TREATMENT	0.80	724	775	815	853	895	924	976	1,015	1,053	1,091	1,128	1,172	11,482
12	RESIDENTIAL - SINGLE METER		28	29	31	32	34	35	37	38	40	41	43	44	44
13	AVERAGE # OF CUSTOMERS	2.0	24	24	24	24	24	24	24	24	24	24	24	24	24
14	AVERAGE USAGE/CUSTOMER IN "M" GAL	(2.0 * 5.8')	672	686	744	768	810	830	868	872	950	965	1,002	1,028	10,368
15	TOTAL USAGE FOR MONTH		672	686	744	768	810	830	868	872	950	965	1,002	1,028	10,368
16	WATER PRODUCTION REQUIRED	1.10	739	786	818	849	888	924	972	1,001	1,050	1,082	1,125	1,162	11,405
17	FLOW FOR W/W TREATMENT	0.80	403	418	446	461	480	504	523	547	576	590	619	634	6,221
18	RESIDENTIAL - SINGLE METER		6	6	7	7	7	8	8	8	9	9	9	10	10
19	AVERAGE # OF CUSTOMERS	10.0	120	120	120	120	120	120	120	120	120	120	120	120	120
20	AVERAGE USAGE/CUSTOMER IN "M" GAL	(10.0 * 5.8')	720	720	840	840	840	840	840	840	840	840	840	840	11,280
21	TOTAL USAGE FOR MONTH		720	720	840	840	840	840	840	840	840	840	840	840	11,280
22	WATER PRODUCTION REQUIRED	1.10	792	782	824	824	824	824	824	824	824	824	824	824	12,408
23	FLOW FOR W/W TREATMENT	0.80	432	432	504	504	504	504	504	504	504	504	504	504	6,768
24	OTHER CUSTOMERS		3	3	3	3	3	4	4	4	4	4	4	4	4
25	AVERAGE # OF CUSTOMERS	5.0	60	60	60	60	60	60	60	60	60	60	60	60	60
26	AVERAGE USAGE/CUSTOMER IN "M" GAL	(10.0 * 5.8')	180	180	180	180	180	180	180	180	180	180	180	180	2,160
27	TOTAL USAGE FOR MONTH		180	180	180	180	180	180	180	180	180	180	180	180	2,160
28	WATER PRODUCTION REQUIRED	1.10	198	198	198	198	198	198	198	198	198	198	198	198	2,364
29	FLOW FOR W/W TREATMENT	0.80	108	108	108	108	108	108	108	108	108	108	108	108	1,308
30	TOTAL CUSTOMERS		15,744	16,526	17,475	18,258	19,074	20,049	20,856	21,628	22,502	23,370	24,189	25,161	244,844
31	TOTAL USAGE FOR MONTH	(1.3 * 1.8 * 1.13 * 1.18 * 1.23)	17,218	18,190	19,222	20,084	20,981	22,054	22,842	23,815	24,846	25,707	26,604	27,672	268,417
32	WATER PRODUCTION REQUIRED	(1.4 * 1.8 * 1.14 * 1.19 * 1.24)	8,466	8,922	9,485	10,055	10,644	11,244	11,814	12,468	13,141	13,822	14,511	15,202	146,964
33	FLOW FOR W/W TREATMENT	(1.5 * 1.10 * 1.15 * 1.20 * 1.25)													

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFONIA PROJECTIONS  
SALES, PRODUCTION & TREATMENT REQUIREMENTS - QSTCO  
(\$ in Thousands)

YOM MODEL - FINAL

LINE #	DESCRIPTION	REFERENCE	2002												TOTAL YEAR
			JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
1	RESIDENTIAL - 5/8" METER		1,779	1,827	1,969	1,854	2,012	2,071	2,129	2,187	2,246	2,304	2,362	2,421	113
2	AVERAGE # OF CUSTOMERS		12	12	12	12	12	12	12	12	12	12	12	12	
3	TOTAL USAGE FOR MONTH	DATA SHEET 1	21,358	22,055	23,752	22,258	24,135	24,856	25,545	26,234	26,923	27,612	28,301	28,990	202,328
4	WATER PRODUCTION REQUIRED	1.10	23,503	24,259	26,127	24,483	26,548	27,337	28,093	28,849	29,605	30,361	31,117	31,873	232,812
5	FLOW FOR W/W TREATMENT	0.80	18,800	19,228	20,902	19,586	21,233	21,872	22,468	23,064	23,659	24,255	24,851	25,447	181,454
6	RESIDENTIAL - MULTIPLE METER		224	232	239	248	254	261	268	276	283	290	298	305	
7	AVERAGE # OF CUSTOMERS		9	9	9	9	9	9	9	9	9	9	9	9	
8	TOTAL USAGE FOR MONTH	(115 * 5'6")	2,015	2,088	2,151	2,215	2,288	2,352	2,415	2,479	2,542	2,606	2,669	2,733	20,264
9	WATER PRODUCTION REQUIRED	1.10	2,218	2,292	2,366	2,441	2,515	2,589	2,663	2,737	2,811	2,885	2,959	3,033	21,553
10	FLOW FOR W/W TREATMENT	0.80	1,775	1,833	1,891	1,949	2,007	2,065	2,123	2,181	2,239	2,297	2,355	2,413	17,159
11	COMMERCIAL CUSTOMERS		48	47	49	50	52	53	55	56	58	59	61	62	
12	AVERAGE # OF CUSTOMERS		24	24	24	24	24	24	24	24	24	24	24	24	
13	TOTAL USAGE FOR MONTH	(70 * 5'6")	1,165	1,178	1,191	1,204	1,217	1,230	1,243	1,256	1,269	1,282	1,295	1,308	10,552
14	WATER PRODUCTION REQUIRED	1.10	1,214	1,241	1,268	1,295	1,322	1,349	1,376	1,403	1,430	1,457	1,484	1,511	12,102
15	FLOW FOR W/W TREATMENT	0.80	982	977	728	720	758	753	792	808	825	863	879	893	8,331
16	LANE # OF SOCIAL CUSTOMERS		10	10	11	11	11	12	12	12	13	13	13	14	
17	AVERAGE # OF CUSTOMERS		120	120	120	120	120	120	120	120	120	120	120	120	
18	TOTAL USAGE FOR MONTH	(100 * 5'6")	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	12,040
19	WATER PRODUCTION REQUIRED	1.10	1,320	1,320	1,452	1,452	1,452	1,452	1,452	1,452	1,452	1,452	1,452	1,452	10,744
20	FLOW FOR W/W TREATMENT	0.80	720	720	720	720	720	720	720	720	720	720	720	720	10,224
21	OTHER CUSTOMERS		5	5	5	5	5	5	5	5	5	5	5	5	
22	AVERAGE # OF CUSTOMERS		60	60	60	60	60	60	60	60	60	60	60	60	
23	TOTAL USAGE FOR MONTH	(10 * 5'6")	300	300	300	300	300	300	300	300	300	300	300	300	4,080
24	WATER PRODUCTION REQUIRED	1.10	330	330	330	330	330	330	330	330	330	330	330	330	4,589
25	FLOW FOR W/W TREATMENT	0.80	180	180	180	180	180	180	180	180	180	180	180	180	2,468
26	TOTAL CUSTOMERS		25,956	26,760	27,608	28,482	29,298	30,272	31,080	31,884	32,692	33,504	34,312	35,116	261,832
27	WATER PRODUCTION REQUIRED		28,265	29,426	30,609	31,330	32,228	33,050	33,886	34,728	35,582	36,354	37,160	37,954	304,305
28	FLOW FOR W/W TREATMENT		15,541	16,058	16,620	17,088	17,579	18,161	18,648	19,122	19,586	20,152	20,615	21,211	220,572

YOMMODEL 48  
SPT\_2002 (A BQ181 A CV240)





4000-100-000

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT WELLS - PROFORMA PROJECTIONS  
DISTRICT WATER REVENUES  
( \$ in Thousands )

VOL MODEL - FINAL

LINE #	DESCRIPTION	REFERENCE	2001												TOTAL YEAR
			JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
<b>WATER REVENUES</b>															
1	RESIDENTIAL - 5/8" METER AVERAGE CUSTOMERS		1,079	1,132	1,185	1,238	1,291	1,371	1,429	1,482	1,526	1,604	1,662	1,721	173
2	REVENUES @ MONTHLY CHARGE 0	\$10.00	\$17.3	\$18.2	\$19.1	\$20.1	\$21.0	\$21.9	\$22.9	\$23.8	\$24.7	\$25.7	\$26.6	\$27.5	\$288.8
3	RESIDENTIAL - MULTIPLE METER AVERAGE CUSTOMERS		126	144	151	158	165	173	180	188	195	202	210	212	
4	REVENUES @ MONTHLY CHARGE 0	\$12.00	\$1.6	\$1.7	\$1.8	\$1.9	\$2.0	\$2.1	\$2.2	\$2.3	\$2.3	\$2.4	\$2.5	\$2.6	\$25.4
5	COMMERCIAL CUSTOMERS - AVERAGE CUSTOMERS		28	28	21	32	25	25	32	28	26	41	43	44	
6	REVENUES @ MONTHLY CHARGE 0	\$32.00	\$0.9	\$0.9	\$1.0	\$1.0	\$1.1	\$1.1	\$1.2	\$1.2	\$1.3	\$1.3	\$1.4	\$1.4	\$13.8
7	LARGE COMMERCIAL CUSTOMERS - AVERAGE CUSTOMERS		8	8	7	7	8	8	8	8	8	8	8	10	
8	REVENUES @ MONTHLY CHARGE 0	\$100.00	\$1.0	\$1.0	\$1.1	\$1.1	\$1.3	\$1.3	\$1.3	\$1.3	\$1.4	\$1.4	\$1.4	\$1.6	\$15.0
9	OTHER CUSTOMERS - AVERAGE CUSTOMERS		3	3	3	3	3	3	3	3	3	3	3	3	
10	REVENUES @ MONTHLY CHARGE 0	\$80.00	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.4	\$3.2
11	TOTAL CUSTOMER CHARGES (1.2+1.4+1.6+1.8+1.10)		\$21.0	\$22.0	\$23.2	\$24.3	\$25.4	\$26.7	\$27.9	\$28.9	\$30.0	\$31.1	\$32.2	\$33.5	\$326.2
<b>COMMODITY CHARGES</b>															
12	TOTAL 1/2 GALLONS SOLD	90H E Line 2	23,748	18,538	17,825	18,298	19,074	20,058	20,888	21,658	22,582	23,320	24,188	25,381	264,886
13	TOTAL COMMODITY CHARGES AT	\$2.00	\$31.5	\$33.1	\$35.0	\$36.6	\$38.1	\$40.1	\$41.7	\$43.3	\$45.2	\$46.7	\$48.4	\$50.3	\$489.9
14	TOTAL WATER REVENUES		\$52.5	\$55.1	\$58.2	\$60.8	\$63.5	\$66.8	\$69.6	\$72.2	\$75.2	\$77.8	\$80.6	\$83.8	\$816.3

11.2+1.4+1.6+1.8+1.10

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
DISTCO WATER REVENUES  
(In Thousands)

LINE #	DESCRIPTION	REFERENCE	2002												TOTAL YEAR
			JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
<b>WATER REVENUES</b>															
1	RESIDENTIAL 3/8" METER AVERAGE CUSTOMERS	210.00	1,728	1,832	1,888	1,956	2,023	2,109	2,187	2,268	2,354	2,384	2,421	2,432	9,403.2
2	--REVENUES @ MONTHLY CHARGE 0		828.5	828.4	830.3	831.3	832.2	833.1	834.1	835.0	835.9	837.8	838.7	840.2	
3	RESIDENTIAL 1/2" PIPE METER AVERAGE CUSTOMERS		228	235	238	248	251	258	270	283	290	298	305	308	
4	--REVENUES @ MONTHLY CHARGE 0	312.00	827	826	829	830	831	832	833	834	835	836	837	838	3,582.2
5	COMMERCIAL CUSTOMERS AVERAGE CUSTOMERS		48	51	52	52	53	55	56	58	58	61	62	62	
6	--REVENUES @ MONTHLY CHARGE 0	332.00	815	815	816	816	817	818	818	819	819	820	820	820	3,210
7	LARGE COMMERCIAL CUSTOMERS AVERAGE CUSTOMERS		30	30	31	31	32	32	32	33	33	33	33	33	
8	--REVENUES @ MONTHLY CHARGE 0	3380.00	819	816	818	818	819	819	819	821	821	821	822	822	32,228
9	OTHER CUSTOMERS AVERAGE CUSTOMERS		5	5	5	5	5	5	5	5	5	5	5	5	
10	--REVENUES @ MONTHLY CHARGE 0	800.00	804	804	804	804	804	805	805	805	805	805	806	806	8,808
11	TOTAL CUSTOMER CHARGES (L2+L3+L4+L5+L6+L7+L8+L9+L10)		3,347	3,357	3,370	3,381	3,391	3,403	3,415	3,425	3,438	3,449	3,460	3,472	34,908
12	COMMUNITY CHARGES --TOTAL W/ GALLONS SOLD	SCH E Line 2	25,958	26,290	27,000	28,482	29,258	30,272	31,088	31,872	32,811	33,586	34,410	35,286	367,632
13	--TOTAL COMMUNITY CHARGES AT	32.00	819	835	845	857	868	878	887	895	902	908	914	918	9,736.2
14	TOTAL WATER REVENUES		3,866	3,992	3,974	3,961	3,977	3,998	4,032	4,062	4,109	4,114	4,134	4,180	41,256.0

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WOODS-HOOD, CO.

CITIZENS UTILITIES COMPANY  
 VILLAGES AT OSBERT HILLS - PROFORMA PROJECTIONS  
 DISTCO WASTEWATER REVENUES  
 (\$ in Thousands)

SCHEMATIC 0  
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VD-MODEL - FINAL

LINE	DESCRIPTION	1999												TOTAL YEAR
		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
<b>WASTEWATER REVENUES</b>														
1	RESIDENTIAL 1/4-METER AVERAGE CUSTOMERS	0	0	0	0	0	0	28	82	146	204	262	321	376
2	REVENUES @ MONTHLY CHARGE	0	0	0	0	0	0	0	0	0	0	0	0	0
3	RESIDENTIAL MULTIPLE-METER AVERAGE CUSTOMERS	0	0	0	0	0	0	4	11	18	26	33	40	48
4	REVENUES @ MONTHLY CHARGE	0	0	0	0	0	0	0	0	0	0	0	0	0
5	COMMERCIAL CUSTOMERS AVERAGE CUSTOMERS	0	0	0	0	0	0	1	2	3	4	5	6	7
6	REVENUES @ MONTHLY CHARGE	0	0	0	0	0	0	0	0	0	0	0	0	0
7	LARGE COMMERCIAL CUSTOMERS AVERAGE CUSTOMERS	0	0	0	0	0	0	0	1	2	3	4	5	6
8	REVENUES @ MONTHLY CHARGE	0	0	0	0	0	0	0	0	0	0	0	0	0
9	OTHER CUSTOMERS AVERAGE CUSTOMERS	0	0	0	0	0	0	0	0	0	0	0	0	0
10	REVENUES @ MONTHLY CHARGE	0	0	0	0	0	0	0	0	0	0	0	0	0
11	TOTAL CUSTOMER CHARGES (1.2 * L.4 + L.6 + L.8 + L.10)	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>COMMUNITY CHARGES</b>														
12	TOTAL W GALLONS TREATED (SCH E Line 2)	0	0	0	0	0	0	245	706	1,278	1,753	2,232	2,622	3,121
13	TOTAL COMMUNITY CHARGES AT	0	0	0	0	0	0	0	0	0	0	0	0	0
14	TOTAL WASTEWATER REVENUES	0	0	0	0	0	0	31.0	83.5	131.5	181.5	231.5	281.5	331.5

VD-MODEL 46  
 WW\_REV\_1999 (A EGT A F160)



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SCHEDULE G  
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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS  
DISTCO WASTEWATER REVENUES  
(\$ in Thousands)

2001 MODEL - FINAL

LINE #	DESCRIPTION	REFERENCE	2001													
			JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR	
<b>WASTEWATER REVENUES</b>																
1	RESIDENTIAL 3/8-METER AVERAGE CUSTOMERS		1,029	1,132	1,239	1,351	1,468	1,591	1,721	1,856	1,995	2,138	2,284	2,433	2,585	27,288
2	-REVENUES @ MONTHLY CHARGE	118.00	\$17.5	\$19.2	\$19.1	\$20.1	\$21.9	\$23.9	\$26.7	\$29.6	\$33.6	\$37.6	\$41.7	\$45.8	\$50.0	\$542.9
3	RESIDENTIAL-MULTIPLE-METER AVERAGE CUSTOMERS		328	348	361	376	395	418	444	471	500	529	559	590	621	6,732
4	-REVENUES @ MONTHLY CHARGE	112.00	\$14	\$17	\$18	\$19	\$20	\$22	\$23	\$25	\$27	\$29	\$31	\$33	\$35	\$363.9
5	COMMERCIAL CUSTOMERS AVERAGE CUSTOMERS		28	28	31	32	34	37	39	41	43	45	47	49	51	543
6	-REVENUES @ MONTHLY CHARGE	132.00	\$0.9	\$0.9	\$1.0	\$1.0	\$1.1	\$1.2	\$1.2	\$1.3	\$1.3	\$1.4	\$1.4	\$1.4	\$1.4	\$139.8
7	LARGE COMMERCIAL CUSTOMERS AVERAGE CUSTOMERS		8	8	7	7	7	8	8	8	8	8	8	8	9	81
8	-REVENUES @ MONTHLY CHARGE	150.00	\$1.0	\$1.0	\$1.1	\$1.1	\$1.1	\$1.3	\$1.3	\$1.3	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$150.0
9	OTHER CUSTOMERS AVERAGE CUST' AERS		3	3	3	3	3	3	3	3	3	3	3	3	3	27
10	REVENUES / MONTHLY CHARGE	240.00	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$270.0
11	TOTAL CUSTOMER CHARGES (1.2 * 1.4 * 1.8 * 1.8 * 1.10)		\$21.0	\$27.0	\$23.2	\$24.3	\$25.4	\$27.9	\$28.9	\$30.0	\$31.1	\$32.2	\$33.5	\$34.9	\$36.2	\$438.2
<b>COMMODITY CHARGES</b>																
12	-TOTAL "W" GALLONS TREATED	SCH E Line 2	9,468	9,922	10,486	10,856	11,444	12,024	12,608	13,198	13,793	14,393	14,997	15,605	16,217	168,384
13	-TOTAL COMMODITY CHARGES AT	\$2.00	\$18.9	\$19.8	\$21.0	\$21.9	\$22.8	\$23.0	\$24.1	\$25.0	\$26.0	\$27.1	\$28.0	\$29.0	\$30.2	\$333.6
14	TOTAL WASTEWATER REVENUES		2,385	2,518	2,642	2,802	2,983	3,152	3,321	3,493	3,668	3,845	4,024	4,205	4,388	46,744



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CITIZENS UTILITIES COMPANY  
 VILLAGES AT DESERT HILLS - PROFIT PROJECTIONS  
 DISTCO OPERATING EXPENSES  
 (\$ in Thousands)

SCHEDULE N  
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VDM MODEL - FINAL

LINE #	DESCRIPTION	REFERENCE	1999												TOTAL YEAR		
			JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER			
<b>SALARY AND BENEFITS</b>																	
1	# OF FULL TIME EQUIVALENTS		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	SALARY AT ANNUAL RATE OF	\$25.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
3	BENEFITS AT RATIO TO SALARY & O	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	TOTAL SALARY AND BENEFITS		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>OPERATION &amp; MAINTENANCE</b>																	
5	AVERAGE # OF CUSTOMERS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	OPERATING COSTS	0.0000	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
7	MAINTENANCE COSTS	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	TOTAL OPERATING & MAINTENANCE		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CUSTOMER ACCOUNTING</b>																	
11	AVERAGE # OF CUSTOMERS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	CALLING COSTS	0.002	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
13	OTHER	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	TOTAL CUSTOMER ACCOUNTING		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>ADMINISTRATIVE &amp; GENERAL</b>																	
15	# OF FULL TIME EQUIVALENTS		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
16	REWT	\$1.00	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
17	INSURANCE & TELEPHONE	0.0000	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
18	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21	TOTAL ADMINISTRATIVE & GENERAL		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
OTHER			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	AVERAGE # OF CUSTOMERS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	AMOUNT	\$0.0002	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
24	AMOUNT	0.0002	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	TOTAL OTHER		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	TOTAL OPERATING		\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5

VDM-MODEL 008  
 OPEREXP\_1999 (A FO1 A 0160)





CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PERFORMANCE PROJECTIONS  
UTILITY OPERATING EXPENSES  
( \$ in Thousands )

VM-MODEL - FINAL

LINE #	DESCRIPTION	REFERENCE	2002												TOTAL YEAR
			JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
<b>SALARY AND BENEFITS</b>															
1	# OF FULL TIME EQUIVALENTS		1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
2	SALARY AT ANNUAL RATE OF	\$35.0	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29
3	BENEFITS AT RATIO TO SALARY %	0.85	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
4	TOTAL SALARY AND BENEFITS		48	48	48	48	48	48	48	48	48	48	48	48	48
<b>OPERATION &amp; MAINTENANCE</b>															
5	AVERAGE # OF CUSTOMERS		2,084	2,131	2,188	2,245	2,302	2,359	2,416	2,472	2,529	2,586	2,643	2,700	2,757
6	OPERATING COSTS	0.0000	\$12.4	\$12.8	\$13.2	\$13.6	\$14.0	\$14.4	\$14.8	\$15.2	\$15.6	\$16.0	\$16.4	\$16.8	\$17.2
7	MAINTENANCE COSTS	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	TOTAL OPERATING & MAINTENANCE		12.4	12.8	13.2	13.6	14.0	14.4	14.8	15.2	15.6	16.0	16.4	16.8	17.2
<b>CUSTOMER ACCOUNTING</b>															
11	AVERAGE # OF CUSTOMERS		2,084	2,131	2,188	2,245	2,302	2,359	2,416	2,472	2,529	2,586	2,643	2,700	2,757
12	BILLING COSTS	0.0038	\$4.1	\$4.3	\$4.4	\$4.5	\$4.7	\$4.8	\$4.9	\$5.1	\$5.2	\$5.3	\$5.5	\$5.6	\$5.8
13	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	TOTAL CUSTOMER ACCOUNTING		4.1	4.3	4.4	4.5	4.7	4.8	4.9	5.1	5.2	5.3	5.5	5.6	5.8
<b>ADMINISTRATIVE &amp; GENERAL</b>															
15	# OF FULL TIME EQUIVALENTS		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
16	RENT	\$1.00	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
17	INSURANCE & TELEPHONE	0.1000	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
18	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20	OTHER	0.0000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21	TOTAL ADMINISTRATIVE & GENERAL		1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
<b>OTHER</b>															
22	AVERAGE # OF CUSTOMERS		2,084	2,131	2,188	2,245	2,302	2,359	2,416	2,472	2,529	2,586	2,643	2,700	2,757
23	AMOUNT	\$0.0002	\$0.4	\$0.4	\$0.4	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.6	\$0.6
24	AMOUNT	0.0002	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
25	TOTAL OTHER		0.8	0.8	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.2	1.2
26	TOTAL OPERATING		\$23.2	\$23.6	\$24.3	\$25.0	\$25.6	\$26.3	\$27.0	\$27.7	\$28.2	\$28.8	\$29.5	\$30.3	\$31.0

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS -- PROFORMA PROJECTIONS

ESTIMATE OF W/WW TREATMENT PLANT EXPENSES-TOTAL TREATCO

VDH MODEL -- FINAL

LINE #	DESCRIPTION	AVERAGE # OF CUSTOMERS	LABOR		START-UP & MISCELLANEOUS		ELECTRIC		CHEMICAL		AMORTIZATION OF MEMBRANES		OPERATORS FEES		CAP USAGE		TOTAL	
			Page 2	Page 3	Page 4	Page 5	Page 6	Page 7	Page 8	Page 9	Page 10							
1	1999	202	\$83,655	\$35,875	\$2,150	\$718	0	\$15,912	\$2,650	\$140,960	\$141							
2	2000	811	85,328	10,000	77,591	7,577	0	23,464	87,079	291,039	291							
3	2001	1,623	87,035	14,000	97,571	13,585	40,000	27,585	96,195	375,971	376							
4	2002	2,435	88,775	20,000	119,982	19,899	40,000	32,325	133,120	454,101	454							
5	2003	3,247	135,823	24,000	143,716	26,493	40,000	42,904	150,540	563,476	563							
6	2004	4,058	138,533	30,000	168,935	33,384	40,000	48,211	170,430	629,493	629							
7	2005	4,871	268,912	40,000	195,679	40,586	40,000	70,613	192,855	846,645	847							
8	2006	5,683	288,258	50,000	270,043	49,446	40,000	85,507	294,450	1,077,704	1,078							
9	2007	6,495	326,701	60,000	293,201	57,142	40,000	95,816	396,906	1,269,766	1,270							
10	2008	7,307	333,226	70,000	316,305	65,093	40,000	102,001	417,855	1,344,480	1,344							
11	2009	8,119	339,890	80,000	340,159	73,390	40,000	108,347	440,315	1,422,101	1,422							
12	2010	8,931	433,368	90,000	364,984	61,998	40,000	126,146	464,803	1,601,379	1,601							
13	2011	9,743	442,048	100,000	389,777	90,949	40,000	132,961	489,369	1,685,104	1,685							
14	2012	10,555	450,901	100,000	438,573	101,298	40,000	141,762	700,915	1,873,157	1,873							
15	2013	11,365	496,723	100,000	463,451	110,839	40,000	152,208	731,403	2,084,422	2,084							
16	2014	12,189	525,426	100,000	488,240	120,597	40,000	160,454	761,788	2,196,505	2,197							
17	2015	12,558	574,208	100,000	492,571	125,216	40,000	167,959	741,085	2,241,039	2,241							
18	2016	12,558	585,710	100,000	513,532	135,857	40,000	173,537	761,378	2,309,812	2,310							
19	2017	12,558	597,422	100,000	525,148	146,121	40,000	177,930	904,050	2,480,671	2,481							
20	2018	12,558	609,385	100,000	547,759	157,584	40,000	183,912	922,500	2,561,120	2,561							



CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

ESTIMATE OF POWER COSTS OF OPERATIONS OF TREATMENT PLANTS - TREATCO

VDM MODEL - FINAL

LINE #	DESCRIPTION	TOTAL WATER PRODUCT	WATER LINE-01	WTP		EXPENSES		TOTAL	AVERAGE CUSTOMERS	COST PER CUSTOMER	TOTAL MODEL EXPENSES	
				100.00%	85.00%	WTP	WTP				CURRENT DOLLARS	FUTURE DOLLARS
			0.010	0.015	0.242	34.00%	(3) + (4)				(9) + (10)	
1	1999	202	82	83	817	83,021	150	820.141	82,150	1,000	82,150	
2	2000	811	8	10	87	3,085	600	5.142	77,591	1,000	877,591	
3	2001	1,623	16	21	134	3,170	1,200	2.640	97,571	1,000	97,571	
4	2002	2,435	24	31	200	3,256	1,900	1.809	119,982	1,000	119,982	
5	2003	3,247	32	41	267	3,341	2,400	1.392	143,716	1,000	143,716	
6	2004	4,059	41	52	334	3,426	3,000	1.142	168,935	1,000	168,935	
7	2005	4,871	48	62	401	3,512	3,600	0.975	185,879	1,000	185,879	
8	2006	5,683	57	72	468	3,597	4,200	0.856	270,043	1,000	270,043	
9	2007	6,495	65	83	534	3,682	4,800	0.767	293,201	1,000	293,201	
10	2008	7,307	73	93	601	3,767	5,400	0.698	316,305	1,000	316,305	
11	2009	8,119	81	104	668	3,853	6,000	0.642	340,159	1,000	340,159	
12	2010	8,931	89	114	735	3,938	6,600	0.597	364,984	1,000	364,984	
13	2011	9,743	97	124	802	4,023	7,200	0.559	389,777	1,000	389,777	
14	2012	10,555	106	135	868	4,109	7,800	0.527	438,573	1,000	438,573	
15	2013	11,365	114	145	935	4,194	8,400	0.499	463,451	1,000	463,451	
16	2014	12,169	122	155	1,001	4,278	9,000	0.475	488,240	1,000	488,240	
17	2015	12,958	126	160	1,033	4,319	9,600	0.450	492,571	1,000	492,571	
18	2016	12,558	126	160	1,033	4,319	10,200	0.423	513,532	1,000	513,532	
19	2017	12,558	126	160	1,033	4,319	10,800	0.400	525,148	1,000	525,148	
20	2018	12,558	126	160	1,033	4,319	11,000	0.393	547,759	1,000	547,759	

MODEL = 100 - 200

SCHEDULE 1  
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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

ESTIMATE OF CHEMICAL COSTS OF OPERATIONS OF TREATMENT PLANTS -- TREATCO

Y04 MODEL - FINAL

LINE #	DESCRIPTION	TOTAL PRODUCT	IRRIGATION	WATER LINE #0	WELL #07	WTP - 025	EXPENSES	TOTAL	AVERAGE CUSTOMERS	COST PER CUSTOMER	TOTAL MODEL EXPENSES		FUTURE DOLLARS
											WTP - 025	WVWP - 01	
						85.00%	34.00%			18/16	DOLLARS		DOLLARS
						0.025	0.010						
1													
2	1999	202	0	80	0	84	81	85	202	80.000	718	1.0000	8718
3	2000	811	0	0	0	17	17	20	811	0.025	7,428	1.0200	87,577
4	2001	1,823	0	0	0	34	6	40	1,823	0.025	13,057	1.0404	13,985
5	2002	2,435	0	0	0	52	8	60	2,435	0.025	18,751	1.0612	19,899
6	2003	3,247	0	0	0	69	11	80	3,247	0.025	24,476	1.0824	26,493
7	2004	4,871	0	0	0	104	17	120	4,871	0.030	30,239	1.1040	33,394
8	2005	5,683	0	0	0	121	19	140	5,683	0.025	36,041	1.1261	40,386
9	2006	6,495	0	0	0	138	22	160	6,495	0.025	43,049	1.1486	49,446
10	2007	7,307	0	0	0	155	25	180	7,307	0.025	48,773	1.1716	57,142
11	2008	8,119	0	0	0	173	28	200	8,119	0.025	54,471	1.1950	65,093
12	2009	8,931	0	0	0	190	30	220	8,931	0.025	60,210	1.2189	73,390
13	2010	9,743	0	0	0	207	33	240	9,743	0.025	65,952	1.2433	81,998
14	2011	10,555	0	0	0	224	36	260	10,555	0.025	71,715	1.2682	90,949
15	2012	11,365	0	0	0	242	39	280	11,365	0.025	78,081	1.2936	101,006
16	2013	12,169	0	0	0	259	41	300	12,169	0.025	83,849	1.3195	110,639
17	2014	12,978	0	0	0	277	43	310	12,978	0.025	89,604	1.3459	120,597
18	2015	13,788	0	0	0	294	45	320	13,788	0.025	95,352	1.3728	125,216
19	2016	14,598	0	0	0	312	47	330	14,598	0.025	101,106	1.4003	135,657
20	2017	15,408	0	0	0	330	49	340	15,408	0.025	106,860	1.4283	146,121
21	2018	16,218	0	0	0	348	51	350	16,218	0.025	112,614	1.4569	157,564

Y04MODEL.XLS  
TREAT\_CHEM (A GW181 A HX240)

CITIZENS UTILITIES COMPANY  
VILLAGES AT DEBERT HILLS - PROFORMA PROJECTIONS  
CALCULATION OF DEPRECIATION DEFERRAL -- TREATCO

VM MODEL - FINAL

LINE #	DESCRIPTION	(1) PLANT BALANCE @ YEAR END	(2) AVERAGE PLANT BALANCE	(3) TOTAL DEPRECIATION EXPENSE	(4) CUSTOMER RATIO	(5) DEPRECIATION EXPENSE	(6) DEFERRED DEPRECIATION AMOUNT DEFERRED	(7) DEPRECIATION AMOUNT RECOVERED	(8) DEPRECIATION INCLUDED IN CHARGES
1	1998	\$16,433							
2	1999	31,460	823,947	8718	0.0161	812	(8708)		812
3	2000	36,419	33,440	1,003	0.0046	65	-838		65
4	2001	37,982	38,691	1,101	0.1262	142	-959		142
5	2002	48,216	43,089	1,293	0.1939	251	-1,042		251
6	2003	51,262	49,739	1,482	0.2585	366	-1,106	90	366
7	2004	54,523	52,893	1,667	0.3232	513	-1,074	0	513
8	2005	58,720	56,622	1,899	0.3879	639	-1,040	0	639
9	2006	68,489	64,095	1,923	0.4525	870	-1,053	0	870
10	2007	75,491	72,480	2,174	0.5172	1,124	-1,050	0	1,124
11	2008	76,298	75,895	2,277	0.5818	1,325	-952	0	1,325
12	2009	82,823	79,581	2,387	0.6465	1,543	-844	1,924	3,467
13	2010	85,174	83,099	2,520	0.7111	1,792	-728	2,116	3,908
14	2011	87,770	86,472	2,594	0.7758	2,012	-582	2,309	4,321
15	2012	94,904	91,337	2,740	0.8404	2,303	-437	1,443	3,746
16	2013	97,330	96,117	2,864	0.9049	2,610	-274	1,554	4,184
17	2014	97,942	97,636	2,829	0.9890	2,838	-91	1,664	4,902
18	2015	100,525	99,234	2,977	0.9999	2,977	0	560	3,537
19	2016	100,773	100,848	3,019	0.9999	3,019	0	560	3,579
20	2017	100,774	100,774	3,023	0.9999	3,023	0	560	3,583
21	2018	100,774	100,774	3,023	1.0000	3,023	0	186	3,209
22	TOTAL THROUGH 2018			43,363		30,487	-12,876	12,876	43,363

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

CALCULATION OF ACCUMULATED DEFERRED INCOME TAXES - TREATCO  
(\$ in Thousands)

VDH\_MODEL - FINAL

LINE #	CALENDAR YEAR	TAX ACCELERATION RATES	ADDITIONS	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
1	1998	1 0.02000	\$16,433	\$329	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657	\$657
2	1999	2 0.04000	15,027	301	601	601	601	601	601	601	601	601	601	601	601	601	601	601	601	601
3	2000	3 0.04000	3,859	79	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158
4	2001	4 0.04000	2,543		51	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102
5	2002	5 0.04000	10,254		205	410	410	410	410	410	410	410	410	410	410	410	410	410	410	410
6	2003	6 0.04000	3,046		61	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122
7	2004	7 0.04000	3,261		65	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130
8	2005	8 0.04000	4,197		84	168	168	168	168	168	168	168	168	168	168	168	168	168	168	168
9	2006	9 0.04000	10,749		215	430	430	430	430	430	430	430	430	430	430	430	430	430	430	430
10	2007	10 0.04000	9,022		807	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614
11	2008	11 0.04000	807		16	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32
12	2009	12 0.04000	6,525			131	261	261	261	261	261	261	261	261	261	261	261	261	261	261
13	2010	13 0.04000	2,351			47	94	94	94	94	94	94	94	94	94	94	94	94	94	94
14	2011	14 0.04000	2,596			52	104	104	104	104	104	104	104	104	104	104	104	104	104	104
15	2012	15 0.04000	2,134			143	285	285	285	285	285	285	285	285	285	285	285	285	285	285
16	2013	16 0.04000	2,426			48	96	96	96	96	96	96	96	96	96	96	96	96	96	96
17	TOTAL	0.62000	97,330	329	958	1,337	1,407	1,723	1,989	2,115	2,264	2,563	2,899	3,035	3,162	3,359	3,458	3,653	3,844	3,844
18	BOOK DEPRECIATION	SCH J		0	12	65	142	251	386	513	659	870	1,124	1,325	1,467	1,908	4,321	3,740	4,164	4,164
19	EXCESS TAX DEP'RE FOR YEAR			\$329	\$946	\$1,272	\$1,325	\$1,472	\$1,603	\$1,602	\$1,605	\$1,693	\$1,774	\$1,710	\$2,285	\$5,491	\$8,631	\$9,371	\$9,371	\$9,371
20	ADIT FOR YEAR COMP.		\$0,005	\$132	\$378	\$509	\$530	\$589	\$641	\$641	\$642	\$677	\$710	\$684	\$1,141	\$2,201	\$3,345	\$3,345	\$3,345	\$3,345
21	CUMMULATIVE ADIT			\$132	\$510	\$1,019	\$1,549	\$2,138	\$2,779	\$3,420	\$4,062	\$4,739	\$5,449	\$6,133	\$6,019	\$5,799	\$5,454	\$5,417	\$5,269	\$5,269

CITIZENS UTILITIES COMPANY  
VILLAGES AT DEWENT HILLS - PROFORMA PROJECTIONS

CALCULATION OF ACCUMULATED DEFERRED INCOME TAXES - TIME/CO

(\$ in Thousands)

LINE #	DESCRIPTION	TAX ACCELERATION RATES	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
22	1.998	1 0.02000	8657	8657	8657	8657	8657	8657	8657	8657	8657	8657	8657	8657	8657	8657	8657	8657	8657
23	1.999	2 0.04000	601	601	601	601	601	601	601	601	601	601	601	601	601	601	601	601	601
24	2.000	3 0.04000	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158
25	2.001	4 0.04000	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102
26	2.002	5 0.04000	410	410	410	410	410	410	410	410	410	410	410	410	410	410	410	410	410
27	2.003	6 0.04000	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122
28	2.004	7 0.04000	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130
29	2.005	8 0.04000	168	168	168	168	168	168	168	168	168	168	168	168	168	168	168	168	168
30	2.006	9 0.04000	430	430	430	430	430	430	430	430	430	430	430	430	430	430	430	430	430
31	2.007	10 0.04000	241	241	241	241	241	241	241	241	241	241	241	241	241	241	241	241	241
32	2.008	11 0.04000	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32
33	2.009	12 0.04000	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261	261
34	2.010	13 0.04000	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94
35	2.011	14 0.04000	104	104	104	104	104	104	104	104	104	104	104	104	104	104	104	104	104
36	2.012	15 0.04000	285	285	285	285	285	285	285	285	285	285	285	285	285	285	285	285	285
37	2.013	16 0.04000	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97
38	2.014	17 0.04000	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
39	2.015	18 0.04000	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583
40	2.016	19 0.04000	248	248	248	248	248	248	248	248	248	248	248	248	248	248	248	248	248
41	2.017	20 0.04000	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
42	2.018	21 0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
43	2.019	0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
44	2.020	0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45	2.021	0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
46	2.022	0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
47	2.023	0.02000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
48	2.024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
49	2.025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
50	2.026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
51	2.027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
52	2.028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
53	2.029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
54	2.030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45	TOTAL	1.00000	3,904	3,968	4,024	4,029	4,029	3,372	2,771	2,613	2,511	2,101	1,979	1,849	1,681	1,251	1,010	978	717
46	BOOK DEPRECIATION	SCH J	4,502	3,537	3,579	3,583	3,209	3,579	3,579	3,583	3,209	3,579	3,579	3,583	3,209	3,537	3,579	3,583	3,209
47	EXCESS TAX DEP RE FOR YEAR		(5596)	(431)	(445)	(446)	(446)	(165)	(608)	(670)	(808)	(1,436)	(1,600)	(1,734)	(1,528)	(2,286)	(2,569)	(2,605)	(2,482)
48	ADIT FOR YEAR COMP @		(228)	(172)	(178)	(178)	(178)	(866)	(323)	(308)	(279)	(574)	(640)	(684)	(611)	(814)	(1,028)	(1,042)	(987)
49	CUMULATIVE ADIT		\$5,050	\$5,222	\$5,400	\$5,578	\$5,806	\$5,940	\$5,517	\$5,129	\$4,850	\$4,278	\$3,636	\$2,942	\$2,331	\$1,417	\$386	(853)	(1,650)

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS -- PROFORMA PROJECTIONS  
CALCULATION OF ACCUMULATED DEFERRED INCOME TAXES -- DISTCO  
(\$ in Thousands)

VDH MODEL -- FINAL

LINE #	CALENDAR YEAR	TAX ACCELERATION RATES	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
1	1,998	1 0.02000	\$303	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12
2	1,999	2 0.04000	950	19	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38
3	2,000	3 0.04000	1,101	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
4	2,001	4 0.04000	1,370	27	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55
5	2,002	5 0.04000	1,384	28	56	56	56	56	56	56	56	56	56	56	56	56	56	56	56
6	2,003	6 0.04000	1,435	29	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57
7	2,004	7 0.04000	1,482	20	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58
8	2,005	8 0.04000	1,486	30	59	59	59	59	59	59	59	59	59	59	59	59	59	59	59
9	2,006	9 0.04000	1,523	30	61	61	61	61	61	61	61	61	61	61	61	61	61	61	61
10	2,007	10 0.04000	1,546	31	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62
11	2,008	11 0.04000	1,579	32	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63
12	2,009	12 0.04000	1,610	32	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64
13	2,010	13 0.04000	1,639	33	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
14	2,011	14 0.04000	1,675	34	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67
15	2,012	15 0.04000	1,718	34	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69
16	2,013	16 0.04000	1,747	35	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70
17	TOTAL	0.62000	22,536	6	31	72	121	177	234	281	350	409	471	534	597	662	729	796	866
18	BOOK DEPTE		0	19	54	91	133	175	219	263	308	354	401	449	497	547	598	650	704
19	EXCESS TAX DEPTE FOR YEAR		\$6	\$12	\$18	\$30	\$44	\$59	\$72	\$87	\$101	\$117	\$133	\$140	\$165	\$182	\$198	\$216	\$216
20	ADIT FOR YEAR-COMP @		\$0.00%	\$2	\$5	\$7	\$12	\$16	\$24	\$35	\$40	\$47	\$53	\$59	\$66	\$73	\$79	\$86	\$98
21	CUMULATIVE ADIT		\$2	\$7	\$14	\$26	\$44	\$68	\$97	\$132	\$172	\$219	\$272	\$331	\$397	\$470	\$549	\$635	\$635

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS -- PROFORMA PROJECTIONS

CALCULATION OF ACCUMULATED DEFERRED INCOME TAXES -- DISTCO  
(\$ in Thousands)

LINE #	DESCRIPTION	(1) TAX ACCELER YEAR RATES	(2) ADDITIONS	(3) 2014	(4) 2015	(5) 2016	(6) 2017	(7) 2018	(8) 2019	(9) 2020	(10) 2021	(11) 2022	(12) 2023	(13) 2024	(14) 2025	(15) 2026	(16) 2027	(17) 2028	(18) 2029	(19) 2030	
22	1998	1 0.02000		\$12	\$12	\$12	\$12														
23	1999	2 0.04000		36	36	36	36	36													
24	2000	3 0.04000		44	44	44	44	44	44												
25	2001	4 0.04000		55	55	55	55	55	55	55											
26	2002	5 0.04000		56	56	56	56	56	56	56	56										
27	2003	6 0.04000		57	57	57	57	57	57	57	57	57									
28	2004	7 0.04000		58	58	58	58	58	58	58	58	58	58								
29	2005	8 0.04000		59	59	59	59	59	59	59	59	59	59	59							
30	2006	9 0.04000		61	61	61	61	61	61	61	61	61	61	61	61						
31	2007	10 0.04000		62	62	62	62	62	62	62	62	62	62	62	62	62					
32	2008	11 0.04000		63	63	63	63	63	63	63	63	63	63	63	63	63	63				
33	2009	12 0.04000		64	64	64	64	64	64	64	64	64	64	64	64	64	64	64			
34	2010	13 0.04000		66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66		
35	2011	14 0.04000		67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	
36	2012	15 0.04000		69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69	
37	2013	16 0.04000		70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	
38	2014	17 0.04000	1,774	35	71	71	71	71	71	71	71	71	71	71	71	71	71	71	71	71	
39	2015	18 0.04000	453	9	9	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	
40	2016	19 0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
41	2017	20 0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
42	2018	21 0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
43	2019	0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
44	2020	0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
45	2021	0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
46	2022	0.04000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
47	2023	0.03000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
48	2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
49	2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
50	2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
51	2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
52	2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
53	2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
54	2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
45	TOTAL		2,227	936	981	990	980	980	978	940	896	841	785	726	670	611	550	488	425	361	
46	BOOK DEPRE			703	736	743	743	743	773	803	833	863	893	923	953	983	1,013	1,043	1,073	1,103	
47	EXCESS TAX DEPRE FOR YEAR			\$233	\$245	\$247	\$247	\$247	\$205	\$137	\$63	(\$27)	(\$108)	(\$195)	(\$283)	(\$372)	(\$463)	(\$555)	(\$648)	(\$742)	
48	ADIT FOR YEAR-COMP @		40.00%	\$93	\$96	\$99	\$99	\$99	\$82	\$55	\$25	(\$3)	(\$43)	(\$76)	(\$113)	(\$149)	(\$185)	(\$222)	(\$259)	(\$297)	
49	CUMULATIVE ADIT			\$726	\$826	\$875	\$1,024	\$1,173	\$1,205	\$1,260	\$1,285	\$1,276	\$1,233	\$1,155	\$1,042	\$893	\$708	\$488	\$227	(\$70)	

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

VDH MODEL - FINAL

REFUNDS OF CUSTOMER ADVANCES TO DISTCO  
( \$ in Thousands )

LINE #	CALENDAR YEAR	(1) ANNUAL REVENUES	(2) REFUND DUE	(3) ADVANCE EXPIRED	(4) ANNUAL REFUNDS	(5) CUMULATIVE REFUNDS
1	1,999	\$ 90	\$	\$	\$	\$
2	2,000	717	45	0	45	45
3	2,001	1,438	108	0	108	153
4	2,002	2,158	180	0	180	332
5	2,003	2,876	252	0	252	584
6	2,004	4,117	350	0	350	934
7	2,005	4,943	453	0	453	1,387
8	2,006	5,766	535	0	535	1,922
9	2,007	6,591	618	0	618	2,540
10	2,008	7,414	700	0	700	3,240
11	2,009	8,236	665	-51	814	4,054
12	2,010	10,876	1,038	-148	890	4,944
13	2,011	11,894	1,127	-247	890	5,834
14	2,012	12,854	1,236	-346	890	6,724
15	2,013	13,817	1,334	-480	853	7,577
16	2,014	18,873	1,634	-557	1,078	8,655
17	2,015	19,441	1,816	-864	1,052	9,707
18	2,016	19,441	1,944	-997	947	10,654
19	2,017	19,441	1,944	-1,130	814	11,468
20	2,018	19,441	1,944	-1,398	548	12,016
21	2,019	19,441	1,944	-1,437	507	12,523
22	2,020	19,441	1,944	-1,574	370	12,892
23	2,021	19,441	1,944	-1,711	233	13,125
24	2,022	19,441	1,944	-1,847	98	13,223
25	2,023	19,441	1,944	-1,944	0	13,223

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

CITIZENS - CASH FLOW  
( \$ in Thousands )

LINE #	DESCRIPTION	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL TO DATE
1	NUMBER OF CUSTOMER MOVES	508	1,219	2,039	2,862	3,654	4,488	5,278	6,093	6,902	7,714	
2	AVERAGE # OF CUSTOMERS	202	811	1,623	2,435	3,247	4,059	4,871	5,683	6,495	7,307	
<b>OPERATIONS CASH FLOW</b>												
3	NET OPERATING INCOME - TREATCO	\$ 51	\$ 565	\$ 843	\$ 1,039	\$ 1,240	\$ 2,478	\$ 2,673	\$ 2,903	\$ 3,122	\$ 3,413	\$ 4,613
4	DEPRECIATION EXPENSE - TREATCO	12	65	142	251	386	513	659	870	1,124	1,325	1,325
5	DEFERRED INCOME TAXES - TREATCO	510	509	530	589	641	641	642	677	710	684	684
6	NET OPERATING INCOME - DISTCO	-21	-15	23	60	73	83	117	128	161	183	183
7	DEPRECIATION EXPENSE - DISTCO	19	54	91	133	175	219	263	308	354	401	401
8	DEFERRED INCOME TAXES - DISTCO	7	7	12	18	24	29	35	40	47	53	53
9	OTHER	0	6	0	0	0	0	0	0	0	0	0
10	OPERATIONS CASH FLOW	\$ 578	\$ 1,204	\$ 1,840	\$ 2,091	\$ 2,539	\$ 3,983	\$ 4,389	\$ 5,016	\$ 5,517	\$ 7,270	\$ 34,207
<b>CONSTRUCTION CASH FLOW</b>												
11	CONSTRUCTION OF PLANT - DISTCO	\$ (324)	\$ (1,344)	\$ (1,368)	\$ (1,382)	\$ (1,428)	\$ (1,452)	\$ (1,476)	\$ (1,512)	\$ (1,536)	\$ (1,572)	\$ (14,388)
12	CONSTRUCTION OF PLANT - TREATCO	(17,484)	-2,830	-2,436	-10,716	-2,268	-3,264	-4,164	-11,076	-5,352	-308	-74,268
13	ADVANCES	0	0	0	0	0	0	0	0	0	0	0
14	TREATCO ADVANCES	324	1,344	1,368	1,382	1,428	1,452	1,476	1,512	1,536	1,572	14,388
15	TREATCO ADVANCES	10,484	-180	-564	5,716	1,104	1,632	2,082	5,536	2,676	186	37,086
16	AMOUNTS IN EXCESS OF CUC \$ 24,000	-7,000	-3,000	-3,000	5,000	0	0	0	0	0	0	13,200
17	MAXIMUM TO BE PROVIDED BY CUC	0	0	0	0	0	0	0	0	0	0	-24,000
<b>S.U.C. ADVANCES</b>												
18	FUNDS FROM CITIZENS	7,000	3,000	3,000	5,000	0	0	0	0	0	0	24,000
19	DEPARTMENT OF ADVANCES	0	0	0	0	0	0	0	0	0	0	0
20	DE W ADVANCES - DISTCO	0	-45	-108	-180	-242	-360	-453	-535	-618	-700	-3,240
21	TREATCO - CUC	0	508	1,015	1,015	1,015	1,176	1,176	1,177	1,176	1,176	10,008
22	TREATCO - DE W	0	-1,323	-3,045	-3,045	-3,045	-3,533	-3,533	-3,532	-3,533	-3,533	-30,024
23	CONSTRUCTION CASH FLOW	(2,075)	(4,375)	(4,168)	(4,240)	(4,312)	(7,333)	(5,163)	(5,244)	(5,326)	(5,410)	(43,272)
24	OPERATIONAL CASH FLOW	578	1,204	1,640	2,091	2,539	3,983	4,389	5,016	5,517	7,270	34,207
25	CUMULATIVE CASH FLOW	\$	\$ (870)	\$ (2,527)	\$ (3,148)	\$ (1,772)	\$ (3,370)	\$ (774)	\$ (229)	\$ 190	\$ 1,958	\$ (9,065)
26	CUMULATIVE CASH FLOW - CITIZENS	\$ (7,000)	\$ (12,422)	\$ (21,820)	\$ (28,959)	\$ (30,742)	\$ (34,111)	\$ (34,885)	\$ (35,114)	\$ (34,924)	\$ (33,065)	\$ (33,065)

YOR MODEL - FINAL

CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PRO FORMA PROJECTIONS  
CITIZENS - CASH FLOW  
(\$ in Thousands)

SCHEDULE M  
CITIZENS CASH FLOW  
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10/10/07

LINE #	DESCRIPTION	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL TO DATE
1	NUMBER OF CUSTOMER MONTHS	8,526	8,338	10,150	10,950	11,266	12,358	12,558	12,558	12,558	12,558	12,558	124,882
2	AVERAGE # OF CUSTOMERS	8,119	8,531	9,743	10,555	11,362	12,302	12,558	12,558	12,558	12,558	12,558	124,882
<b>OPERATIONS CASH FLOW</b>													
3	NET OPERATING INCOME--TREATCO	\$4,533	\$4,644	\$4,623	\$5,556	\$5,910	\$6,401	\$6,629	\$6,632	\$6,632	\$6,632	\$6,632	\$64,752
4	DEPRECIATION EXPENSE--TREATCO	3,467	3,068	4,321	3,746	4,164	4,502	3,657	3,579	3,583	3,583	3,583	3,309
5	DEFERRED INCOME TAXES--TREATCO	-114	-220	-345	-37	-128	-239	-172	-176	-176	-176	-176	378
6	NET OPERATING INCOME--DISTCO	324	372	375	421	463	591	615	617	621	621	621	579
7	DEPRECIATION EXPENSE--DISTCO	449	497	547	596	650	703	735	743	743	743	743	743
8	DEFERRED INCOME TAXES--DISTCO	50	66	73	79	86	93	98	99	99	99	99	99
9	OTHER	0	0	0	0	0	0	0	0	0	0	0	0
10	OPERATIONS CASH FLOW	\$ 8,718	\$ 9,287	\$ 9,795	\$ 10,363	\$ 11,144	\$ 14,051	\$ 12,087	\$ 12,048	\$ 11,856	\$ 11,711	\$ 11,711	\$ 145,348
<b>CONSTRUCTION CASH FLOW</b>													
11	CONSTRUCTION OF PLANT--DISTCO	\$ (1,596)	\$ (1,632)	\$ (1,608)	\$ (1,704)	\$ (1,740)	\$ (1,764)	\$ (1,764)	\$ (1,764)	\$ (1,764)	\$ (1,764)	\$ (1,764)	\$ (24,482)
12	CONSTRUCTION OF PLANT--TREATCO	(6,936)	(1,836)	(2,562)	(7,388)	(1,872)	(498)	(2,712)					(98,052)
<b>D-E-W ADVANCES</b>													
13	DISTCO ADVANCES	1,596	1,632	1,608	1,704	1,740	1,764	1,764	1,764	1,764	1,764	1,764	24,482
14	TREATCO ADVANCES	3,468	3,068	4,321	3,746	4,164	4,502	3,657	3,579	3,583	3,583	3,583	48,380
15	AMOUNTS IN EXCESS OF CUC \$ 24,000	3,468	3,068	4,321	3,746	4,164	4,502	3,657	3,579	3,583	3,583	3,583	25,022
16	MAXIMUM TO BE PROVIDED BY CUC	0	0	0	0	0	0	0	0	0	0	0	24,000
<b>C.U.C. ADVANCES</b>													
17	FUNDS FROM CITIZENS SUB-TOTAL	0	0	0	0	0	0	0	0	0	0	0	24,000
<b>REPAYMENT OF ADVANCES</b>													
18	D-E-W ADVANCES--DISTCO	-814	-860	-900	-950	-1,079	-1,179	-1,229	-1,229	-1,229	-1,229	-1,229	-12,016
19	TREATCO--CUC	-1,756	-1,238	-1,238	-1,238	-1,238	-1,238	-1,238	-1,238	-1,238	-1,238	-1,238	-12,000
20	TREATCO--D-E-W	-5,208	-3,715	-3,715	-3,715	-3,715	-3,687	-3,614	-2,349	-2,349	-2,349	-2,349	-24,000
21	CONSTRUCTION CASH FLOW	(7,837)	(5,843)	(5,843)	(5,843)	(24,806)	(15,994)	(5,811)	(3,395)	(814)	(548)	(548)	(110,068)
22	OPERATIONAL CASH FLOW	8,718	9,287	9,795	10,363	11,144	14,051	12,087	12,048	11,856	11,711	11,711	145,248
23	CUMULATIVE CASH FLOW	\$ 881	\$ 3,424	\$ 3,821	\$ 4,520	\$ 12,662	\$ 6,096	\$ 6,217	\$ 8,653	\$ 11,042	\$ 11,162	\$ 11,162	\$ 15,180
24	CUMULATIVE CASH FLOW--CITIZENS	\$ (33,005)	\$ (29,641)	\$ (25,690)	\$ (21,170)	\$ (14,832)	\$ (9,775)	\$ (20,559)	\$ (11,905)	\$ (863)	\$ (863)	\$ (863)	\$ (10,399)

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CITIZENS UTILITIES COMPANY  
VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

SCHEDULE N  
Page 1 of 1  
10/10/97

CALCULATION OF COSTS FOR PURCHASED WATER AND WASTEWATER TREATMENT  
(\$ in Thousands)

LINE #	DESCRIPTION	(1) "M" GALLONS OF WATER SOLD	(2) CHARGE PER "M" GALLON FOR WATER	(3) PURCHASED WATER COST	(4) CHARGE PER "M" GALLON FOR W/W	(5) WASTEWATER TREATMENT COST
1	1999	15,204	\$ 0.002220	\$ 34	\$ 0.002220	\$ 34
2	2000	122,256	0.002220	271	0.002220	271
3	2001	244,944	0.002220	544	0.002220	544
4	2002	367,632	0.002220	816	0.002220	816
5	2003	490,320	0.002220	1,089	0.002220	1,089
6	2004	613,008	0.002881	1,643	0.002881	1,643
7	2005	735,696	0.002881	1,972	0.002881	1,972
8	2006	858,384	0.002881	2,301	0.002881	2,301
9	2007	981,072	0.002881	2,630	0.002881	2,630
10	2008	1,103,760	0.002881	2,959	0.002881	2,959
11	2009	1,226,448	0.003257	3,995	0.003257	3,995
12	2010	1,349,136	0.003257	4,394	0.003257	4,394
13	2011	1,471,824	0.003257	4,794	0.003257	4,794
14	2012	1,594,512	0.003257	5,193	0.003257	5,193
15	2013	1,717,200	0.003257	5,593	0.003257	5,593
16	2014	1,839,888	0.004326	7,912	0.004326	7,912
17	2015	1,884,096	0.004326	8,151	0.004326	8,151
18	2016	1,884,096	0.004326	8,151	0.004326	8,151
19	2017	1,884,096	0.004326	8,151	0.004326	8,151
20	2018	1,884,096	0.004326	8,151	0.004326	8,151

CITIZENS UTILITIES COMPANY  
 VILLAGES AT DESERT HILLS - PROFORMA PROJECTIONS

SCHEDULE O  
 Page 1 of 1  
 10/10/97

CALCULATION OF COSTS FOR AK CHIM WATER PURCHASES  
 (\$ in Thousands)

LINE #	DESCRIPTION	(1) ACRE FEET OF WATER PURCHASED	(2) CHARGE PER ACRE FOOT FOR WATER	(3) PURCHASED WATER COST
1	1999	50	53.00	2,650
2	2000	1,653	53.00	87,609
3	2001	1,815	53.00	96,195
4	2002	2,048	65.00	133,120
5	2003	2,316	65.00	150,540
6	2004	2,822	65.00	170,430
7	2005	2,967	65.00	192,855
8	2006	4,530	65.00	294,450
9	2007	4,782	83.00	396,906
10	2008	5,034	83.00	417,822
11	2009	5,305	83.00	440,315
12	2010	5,601	83.00	464,883
13	2011	5,896	83.00	489,368
14	2012	6,805	103.00	700,915
15	2013	7,101	103.00	731,403
16	2014	7,396	103.00	761,768
17	2015	7,396	103.00	761,768
18	2016	7,396	103.00	761,768
19	2017	7,396	123.00	909,708
20	2018	7,396	123.00	909,708



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AGREEMENT  
FOR  
THE VILLAGES AT DESERT HILLS  
WATER/WASTEWATER INFRASTRUCTURE

between

DEL WEBB CORPORATION  
(and Affiliate)

and

CITIZENS UTILITIES COMPANY  
(and Affiliates)

Dated as of September 29, 1997

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Exhibit H	-	Water/Wastewater Purchase Agreement
Exhibit I	-	Reimbursement Schedule
Exhibit J	-	Form of Line Extension Agreement

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AGREEMENT FOR THE VILLAGES AT DESERT HILLS  
WATER/WASTEWATER INFRASTRUCTURE

---

AGREEMENT dated as of September 29, 1997, between DEL WEBB CORPORATION, a Delaware corporation ("Webb"), THE VILLAGES AT DESERT HILLS, INC., an Arizona corporation ("Developer"), CITIZENS UTILITIES COMPANY, a Delaware corporation ("Citizens"), CITIZENS WATER SERVICES COMPANY OF ARIZONA, an Arizona corporation ("DistCo"), and CITIZENS WATER RESOURCES COMPANY OF ARIZONA, an Arizona corporation ("TreatCo").

RECITALS:

A. Developer proposes to develop a new community in Maricopa County, Arizona, to be known as The Villages at Desert Hills (the "Project"). This development is to be consistent with an approved 5,661-acre Development Master Plan (DMP 94-6, as may be amended from time to time).

B. Citizens and its Affiliates are experienced in the provision of water and wastewater services in the State of Arizona and other jurisdictions.

C. The Parties desire that:

i. DistCo will provide Potable Water distribution and wastewater collection for the Project.

ii. TreatCo will provide water and wastewater treatment services (including effluent disposal, sale and reuse) that will enable the provision of DistCo Services by DistCo and the provision of Non-Potable Water Services by TreatCo.

D. To facilitate the foregoing, the Webb Parties have obtained certain water rights.

E. To also facilitate the foregoing, the water/wastewater infrastructure will need to be constructed.

F. With respect to the costs associated with obtaining those water rights and constructing that infrastructure, the Parties desire that:

i. The Citizens Parties will fund up to \$24,000,000 of those costs.

ii. The Webb Parties will fund the balance of those costs.

iii. The Parties will be reimbursed for those costs.

AGREEMENT:

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I  
DEFINITIONS

1.1 Definitions. Capitalized terms have the meanings set forth in Exhibit A, unless the context otherwise requires.

ARTICLE II  
BASIC TRANSACTIONS

2.1 Ak-Chin Water. Webb will deliver the Ak-Chin Water to TreatCo as provided in Article IV.

2.2 TreatCo Service. TreatCo will deliver Potable Water and provide wastewater treatment services to DistCo and provide Non-Potable Water Services to golf courses, schools, parks, common areas and to other facilities and persons (collectively "TreatCo Services") as provided in Article V. All TreatCo Services to be provided by TreatCo under this Agreement will meet the standards set forth in Article XI.

2.3 DistCo Service. DistCo will provide Potable Water distribution and wastewater collection services to residents, businesses, schools, common areas and other entities within the Project (collectively "DistCo Services"). All DistCo Services to be provided by DistCo under this Agreement will meet the standards set forth in Article XI.

2.4 Regulatory Authorizations. The Citizens Parties will obtain Authorizations as provided in Article VI.

2.5 Phase I Off-Site and Phase I Production/Treatment Facilities. Developer will design, construct and transfer to TreatCo the Phase I Off-Site Facilities and the Phase I Production/Treatment Facilities as provided in Articles VII and VIII.

2.6 Subsequent Off-Site and Production/Treatment Facilities. TreatCo will design, construct and own all Subsequent Off-Site and Subsequent Production/Treatment Facilities as provided in Section 8.6.

2.7 Backbone Facilities. Developer will design, construct and transfer to TreatCo the Backbone Facilities necessary to extend services to the Project as provided in Articles VII and VIII.

2.8 On-Site Facilities. DistCo will own the On-Site Facilities, which will be designed and constructed by Builders in accordance with appropriate line extension agreements, as set forth in Article VIII.

2.9 Financial Obligations. The Parties will have respective financial obligations regarding these transactions as provided in Article III and other provisions hereof.

2.10 Risk Borne by TreatCo. As provided in this Agreement, TreatCo will bear (by funding up to \$24,000,000 of Phase I Facilities, Backbone Facilities, Subsequent Facilities and related costs, by certain rate moratoriums, rate-of-return cap guarantees, and by the use of deferred depreciation methods) a portion of the risk that the Project will not be developed as quickly as anticipated by the Parties. As a result, initial DistCo rates will be lower than if established under more traditional Commission rate-setting principles and customers will not be asked to bear the cost of prudent investment for future service if actual customer additions occur at rates that are less than projected customer additions.

ARTICLE III

ADVANCES, REFUNDS AND CAPACITY RESERVATION CHARGES

3.1 Basic Flow of Funds.

a. Payment Obligations of the Webb Parties. The following are among the monetary obligations of the Webb Parties under this Agreement:

i. Webb will pay to Ak-Chin the Ak-Chin Water Lease Costs under the Water Lease (as described in Section 4.1).

ii. Developer will pay to third parties Construction Costs for the Phase I Facilities and the Backbone Facilities (as described in Section 8.1).

iii. Developer has paid or will pay to third parties various amounts in connection with acquiring certain real property interests for transfer to TreatCo (which transfers are described in Section 8.17).

iv. Developer has paid or will pay to third parties various amounts in connection with acquiring certain utility easements for transfer to TreatCo and DistCo (which transfers are described in Section 14.2).

v. Developer will reimburse TreatCo for Construction Costs for the Subsequent Facilities (as described in Section 8.13.)

vi. In certain circumstances, Developer will pay to TreatCo a specified amount in connection with additional services (as described in Section 14.3(a)).

vii. In certain circumstances, Developer will pay to TreatCo a specified amount in connection with the failure to achieve specified ERU levels by the Performance Date (as described in Section 3.3(c)).

b. Developer's Advances. For purposes of this Agreement, "Developer's Advances" means the sum of:

i. The Ak-Chin Water Lease Costs that are paid by Webb.

ii. The amounts described in clauses (a) (ii) through (a) (vii) above that are paid by Developer.

c. Payment Obligations of the Citizens Parties. The following are among the monetary obligations of the Citizens Parties under this Agreement:

i. TreatCo will reimburse Developer for Construction Costs for the Phase I Facilities and the Backbone Facilities, for costs associated with acquiring certain real property interests and utility easements, and for the Ak-Chin Water Lease Costs (i.e., the amounts described in clauses (a) (i) through (a) (iv) above). (The reimbursement procedure is described in Section 8.12.)

ii. TreatCo will pay to third parties Construction Costs for the Subsequent Facilities (as described in Section 8.6).

iii. The maximum aggregate amount to be reimbursed or paid by TreatCo under and for purposes described in clauses (i) and (ii) above will not exceed \$24,000,000.

iv. Citizens must pay to TreatCo the amounts described in clauses (i) and (ii) above.

v. The maximum aggregate amount to be paid by Citizens under and for the purposes described in clause (iv) will not exceed \$24,000,000.

vi. In addition, TreatCo will refund Advances (as described in paragraph (e) below).

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d. Citizens Advances. For purposes of this Agreement, "Citizens Advances" means the amounts described in clause (c) (iv) above that are paid by Citizens.

e. Refunds of Advances. In accordance with Exhibit B:

i. TreatCo will refund to Developer the Developer's Advances.

ii. TreatCo will refund to Citizens the Citizens' Advances.

3.2 Capacity Reservation Charges. Within 30 days after issuance to DistCo by the Commission of a certificate of convenience and necessity, Developer will cause the Declaration of Covenants, Conditions and Restrictions that pertains to the Project and that is recorded in the office of the county recorder of the County to contain a notice that every connection to the Facilities will, to the extent approved by the Commission, require payment to TreatCo of a Capacity Reservation Charge when a building permit is issued with respect to each improvement that is to be constructed on a lot or parcel and that is to use water. A description of the Capacity Reservation Charge is set forth in Exhibit C.

3.3 Impact of Failure to Achieve Specified ERU Levels.

If DistCo does not have more than 6,000 ERUs on or before the Performance Date, then all of the following will occur:

a. The Citizens Parties' obligation to reimburse or pay amounts under Section 3.1(c) will automatically terminate as of the Performance Date, except for amounts that have become due and payable by TreatCo prior to the Performance Date.

b. TreatCo will calculate (i) the number of actual ERUs existing as of the Performance Date ("AERUs") and (ii) the amount of unrefunded Citizens' Advances as of the Performance Date. TreatCo will provide the calculations and supporting data to Developer within 30 days after the Performance Date.

c. Developer will make payments to TreatCo based on one of the following calculation methods. This selection (in Developer's sole discretion) must be made by notice to TreatCo within 30 days after TreatCo has provided the calculations described in paragraph (b) above. The payment (or the initial payment, in the case of subparagraph (ii)) will be due and payable within 45 days after TreatCo has provided those calculations. In the absence of such notice to TreatCo, Developer will be deemed to have selected subparagraph (i):



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e. Promptly upon receipt of a payment from Developer under paragraph (c) above, TreatCo will pay Citizens, as an accelerated Refund, the amount so received. Upon that payment to Citizens, TreatCo will cause its records to reflect the change in the outstanding amounts, by reducing the Citizens' Advances and increasing the Developer's Advances by the amounts so received by TreatCo from Developer.

f. All Refunds made by TreatCo after the Performance Date will be made to Citizens 100%, until all of Citizens' Advances have been refunded. If necessary to ensure that Citizens does not received a Refund in excess of its unrefunded Citizens' Advances, TreatCo will prorate a Refund between Citizens (under this paragraph (f)) and Developer (under paragraph (g) below).

g. Once all of Citizens' Advances have been refunded, 100% of the future Refunds by TreatCo will be made to Developer.

h. As modified in paragraphs (e) through (g) of this Section, the obligation of TreatCo to make Refunds under Exhibit B will continue.

ARTICLE IV  
AK-CHIN WATER

4.1 Water Lease.

a. Basic Terms. The Ak-Chin Water is the source of the water that Webb will sell to TreatCo under this Article and that will enable TreatCo and DistCo to provide the TreatCo Services and DistCo Services contemplated by this Agreement. Webb has obtained the Ak-Chin Water under the Water Lease. A copy of the Water Lease is attached as Exhibit G. Under the Water Lease, Webb is obligated to pay Water Lease Charges (as defined therein) and Water Use Charges (as defined therein) to Ak-Chin. The Water Lease Charges will consist of a principal component and an interest component. The principal component of the Water Lease Charges under the Water Lease will not exceed \$1,250.30 per acre foot. The principal component will be payable in equal annual installments over ten years, commencing on the date specified in Section 5(A)(1) of the Water Lease.

b. Covenants of Webb in Connection with the Water Lease. Webb covenants and agrees that:

i. Webb will pay all amounts payable under the Water Lease on or before the due date of the payments.

ii. Webb will not default under the Water Lease.

iii. Except as permitted in Section 4.2(c), Webb will not sell, transfer, assign, convey, encumber or dispose of all or any portion of its interest in the Ak-Chin Water to any person other than TreatCo, without the prior written consent of TreatCo, which consent will not be unreasonably withheld.

iv. Webb will not materially amend, waive rights or obligations under, or terminate the Water Lease with respect to the Ak-Chin Water without the prior written consent of TreatCo, which consent will not be unreasonably withheld. Webb will provide TreatCo with copies of all correspondence pertaining to the Ak-Chin Water between Webb and Ak-Chin and between Webb and the Secretary of the Interior. Promptly after execution of this Agreement, Webb will notify Ak-Chin that Webb has granted TreatCo the right to buy the Ak-Chin Water and has agreed not to encumber its interest in the Ak-Chin Water.

4.2 Water Supply Agreement.

a. Supply of Requirements. Upon Operational Acceptance of the Project Pipeline and continuously thereafter, Webb will sell to TreatCo, and TreatCo will purchase from Webb, all of the Ak-Chin Water required by TreatCo to provide TreatCo Services as set forth in this Agreement, in the amount scheduled for delivery, up to a maximum amount of 7,500 acre-feet per annum. The amount of Ak-Chin Water to be sold by Webb to TreatCo each year will be the amount of water set forth in the water delivery schedule submitted by TreatCo to Webb for that year in accordance with Section 4.3, not to exceed 7,500 acre-feet per annum.

b. Other Sources. In connection with providing the TreatCo Services for the Project as contemplated by this Agreement, TreatCo will not purchase, use or recharge water from any source other than the Ak-Chin Water and effluent from the Project (including recovered Ak-Chin Water and recovered effluent) without the prior written consent of Webb, which consent will not be unreasonably withheld.

c. Unpaid, Untaken or unscheduled Water. Webb will have the right (but will not be obligated) to re-sell, reconvey or use without any obligation or payment to TreatCo: (i) any Ak-Chin Water scheduled for delivery by TreatCo for which TreatCo does not pay the Ak-Chin Water Use Costs; (ii) any Ak-Chin

Water scheduled for delivery by TreatCo for which Ak-Chin Water Use Costs have been paid and the delivery of which TreatCo refuses; and (iii) any Ak-Chin Water which is available to Webb but which is not scheduled by TreatCo for delivery. If Webb re-sells, reconveys or uses any Ak-Chin Water described in clause (ii), Webb will, within 30 days of the resale, reconveyance or use, reimburse TreatCo for such Ak-Chin Water Use Costs.

4.3 Scheduling of Water. After Operational Acceptance of the Project Pipeline, and on or before September 1 of each year thereafter, TreatCo will submit to Webb a written water delivery schedule setting forth the amounts of Ak-Chin Water which TreatCo wishes to purchase during each month of the following year. The schedule will take into account anticipated construction water requirements for the Project. The schedule will be accompanied by a preliminary estimate of the amount of Ak-Chin Water required for the succeeding two years. If TreatCo does not submit a water delivery schedule as required by this Section, TreatCo will be deemed to have elected to purchase 7,500 acre-feet of the Ak-Chin Water for the following year (with one-twelfth of that amount being purchased each month).

4.4 Delivery of Water. Upon Operational Acceptance of the Project Pipeline and continuously thereafter, Webb will deliver the Ak-Chin Water (or cause the Ak-Chin Water to be delivered) to

TreatCo at the turnout structure to be constructed at the Waddell Canal.

4.5 Water Quality. The Ak-Chin Water will be delivered by Webb to TreatCo "as is" without warranty as to the quality thereof, including warranties of merchantability and fitness for a particular purpose. Webb does not warrant the quality of Ak-Chin Water. Except as provided in this Agreement (including Articles VII and VIII), Webb has no obligation to construct or furnish water treatment facilities or to take any other action to maintain or better the quality of the Ak-Chin Water sold pursuant to this Agreement.

4.6 Ownership of Water. Upon delivery of the Ak-Chin Water to TreatCo at the turnout structure to be constructed at the Waddell Canal, TreatCo will hold sole right, title and interest in and to such water. This Agreement is an agreement for the sale of water and is not to be construed, and is not intended, to be an assignment or sublease of any of Webb's rights under the Water Lease.

4.7 Payment for Water. After Operational Acceptance of the Project Pipeline, TreatCo will pay to Webb the Ak-Chin Water Use Costs payable for the Ak-Chin Water to be delivered pursuant to the schedule and for any other volume of Ak-Chin Water taken by TreatCo. The payment will be due and payable 15 days before Webb's





c. The expiration or termination of the Water Lease.

ARTICLE V  
TREATCO SERVICES

5.1 Water/Wastewater Purchase Agreement. Attached hereto as Exhibit H is an executed agreement between TreatCo and DistCo with an initial term of 50 years (the "Water/Wastewater Purchase Agreement") regarding, among other things, (a) the transfer by TreatCo to DistCo of Potable Water for resale for the purpose of providing DistCo Services in the Project and (b) the transfer by DistCo to TreatCo of wastewater derived within the Project for treatment and disposal or reuse. If any inconsistency between the Water/Wastewater Purchase Agreement and this Agreement exists, this Agreement governs the matter.

5.2 Non-Potable Water Services.

a. Service. TreatCo will provide Non-Potable Water Services to golf courses, schools, parks, common areas and to other facilities and persons at initial rates and tariffs stated in Exhibit D, subject to Commission approval. TreatCo will not seek to increase those rates or to modify those tariffs for three years from the date TreatCo first supplies water to DistCo for residential service to the Project.

b. Priorities. Golf courses within the Project will have a first priority right to the use of effluent and recovered effluent to meet their Non-Potable Water demands in a manner consistent with Arizona law. TreatCo will make all reasonable efforts to operate the Non-Potable Water system in a manner which will maximize the delivery and subsequent reporting of Non-Potable Water to golf courses as effluent or recovered effluent to the extent that effluent or recovered effluent is physically available. When Non-Potable Water shortages or other emergency situations occur, and to the extent (if any) required by applicable law (including orders or tariffs issued or approved by the Commission), golf courses must reduce Non-Potable Water demand proportionately to reductions required of other Non-Potable Water users, retaining their priority right to effluent or recovered effluent with respect to the reduced quantity of Non-Potable Water available to the golf courses.

5.3 Sale of Recharge Credits. From time to time, TreatCo may have Recharge Credits available above those required by TreatCo for prudent operations under this Agreement. TreatCo will first offer these to Developer at TreatCo's Incremental Costs plus 10% before selling them to third parties or transferring them to its Affiliates or to service areas outside the Project. The rights granted to Developer under this Section will terminate on the date of Build-Out.

5.4 Sale of Effluent Credits. From time to time, TreatCo may have Effluent Credits in excess of the amount of Effluent Credits required by TreatCo for prudent operations under this Agreement. TreatCo will first offer these excess Effluent Credits to Developer at TreatCo's Incremental Costs plus 10% before selling them to third parties or transferring them to its Affiliates or to service areas outside the Project. The rights granted to Developer under this Section will terminate on the date of Build-Out.

5.5 Use of TreatCo Facilities.

a. Transportation and Recharge. To the extent the Off-Site Facilities, the Backbone Facilities, and recharge facilities from time to time during the term of this Agreement have the capacity (above and beyond the then current needs of TreatCo for service under this Agreement as determined by TreatCo in its reasonable discretion) to transport and recharge CAP Water, Ak-Chin Water or other water available to Webb at the turn-out on the Waddell Canal, Developer may require TreatCo to transport and recharge this water on behalf of Developer. Developer will give TreatCo not less than 30 days' prior notice of the dates on which Developer desires TreatCo to transport and recharge water on Developer's behalf. Developer will then deliver or cause to be delivered the water to the turn-out on the Waddell canal at no cost to TreatCo.

b. Payment. Developer will pay TreatCo's Incremental Costs plus 10% for transportation and recharge of the water. Developer will pay invoices for water transportation and recharge within 30 days of the date of receipt of an invoice from TreatCo.

c. Permits, Ownership and Other Matters. TreatCo will maintain any required permits for the recharge facilities. Developer will obtain in advance any required water storage permit from ADWR. Developer will have the sole right, title and interest to any long-term storage credits that may result from recharge of water in accordance with the water storage permit. Developer will at all times have the sole right, title and interest in this water while it is in the possession of TreatCo. TreatCo does not warrant or represent that the recharge of any of this water will result in the creation of any long-term storage credits. The rights granted to Developer under this Section will terminate on the date of Build-Out.

ARTICLE VI  
AUTHORIZATIONS

6.1 Authorizations.

a. DistCo. DistCo will at its own expense on a timely basis take all reasonable steps necessary to obtain, maintain and renew any Authorizations.

b. Citizens and TreatCo. If or to the extent required by law (or if Citizens or TreatCo, by merger or otherwise, succeed to the obligations of DistCo hereunder), each of Citizens and TreatCo will, at its own expense on a timely basis, take all reasonable steps necessary to obtain, maintain and renew any Authorizations.

6.2 Cooperation. The Webb Parties will at their own expense do whatever is reasonably necessary to assist the Citizens Parties in obtaining any Authorizations.

6.3 Effect of Phoenix Negotiations.

a. Reason for Negotiations. A portion of the Project is located in Phoenix. The Phoenix Area is depicted generally on Exhibit E. The Citizens Parties will attempt to negotiate with Phoenix an agreement that grants DistCo and TreatCo

the right to provide DistCo Services and TreatCo Services in the Phoenix Area. The Webb Parties will at their own expense do whatever is reasonably necessary to assist the Citizens Parties in obtaining that agreement.

b. Results. Subject to Developer's right to terminate this Agreement under Section 14.23, if, on or before May 31, 1998, DistCo, TreatCo and Phoenix have not entered into a written agreement that grants DistCo and TreatCo the right to provide DistCo Services and TreatCo Services in the Phoenix Area, then:

i. DistCo and TreatCo will not be obligated to obtain any Authorizations with respect to the Phoenix Area;

ii. DistCo and TreatCo will have no obligation under this Agreement to design, construct, own or operate the portion of the On-Site Facilities located in the Phoenix Area or to provide DistCo Services or TreatCo Services in the Phoenix Area;

iii. The maximum amount of funding to be provided by TreatCo and Citizens specified in Sections 3.1(c)(iii) and (v) and 8.12(b)(ii) will be reduced by 19.1%;

iv. Each annual amount on Exhibit I will be reduced by 19.1%;

v. The costs of constructing the On-Site Facilities in the Phoenix Area, the costs of constructing the Backbone Facilities associated with serving the Phoenix Area, the excess costs of the Phase I Off-Site Facilities (in an amount to be determined) and 19.1% of the Ak-Chin Water Lease Costs will not constitute Advances for purposes of this Agreement (with the quantity of water defined as the Ak-Chin Water also being reduced by 19.1% to 6,068 acre feet), and none of the Citizens Parties will have any refund or other liability for such amounts, and

vi. This Agreement will not otherwise be affected.

## ARTICLE VII

### MASTER PLAN, CONSTRUCTION PLANS AND SPECIFICATIONS

7.1 Master Plan. Developer will prepare, revise and complete the Master Plan at its own expense. The Master Plan will (i) show locations, sizing and phasing of all the Backbone Facilities, Off-Site Facilities, and Production/Treatment Facilities, (ii) include an analysis of water supply and demand

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demonstrating a balance between water supply and demand, and (iii) include a description and expected treatment standards of all treatment technologies to be used. All construction will be consistent with the Master Plan unless the Parties otherwise agree. The Master Plan will be updated and amended from time to time as agreed by Developer and TreatCo to reflect material changes in development densities, regulatory requirements, expected levels of service, or other factors which significantly impact the development of the Project. The Master Plan will be provided to TreatCo for review and approval. Developer will obtain written approval from TreatCo of the Master Plan before beginning construction of any Facilities. These reviews and approvals will be conducted and granted at the cost and expense of TreatCo. Such approvals will not be unreasonably withheld or delayed by TreatCo. TreatCo will conduct its initial review of the Master Plan within 30 days after receipt of submittal and will provide all comments in writing within such period. Subsequent reviews by TreatCo of any amendments to the Master Plan will be conducted within 14 days after receipt by TreatCo of the amendments to the Master Plan and comments to such amendments will also be provided in writing. If TreatCo does not respond in writing within the applicable 30-day or 14-day period, it will be deemed to have approved the Master Plan or the amendment, as the case may be. If TreatCo does respond with written comments objecting to material elements of the Master Plan within the applicable period, the Master Plan or the amendment (as the case may be) is not approved. Any subsequent resubmission of

the Master Plan or amendment (whether or not revised in response to those comments and any discussions regarding them) will be subject to the same procedures and time periods for review. If TreatCo approves the Master Plan or an amendment, TreatCo will so notify Developer. When the Master Plan has been approved or deemed approved by TreatCo, Developer and TreatCo will prepare a map showing the locations of the Backbone Facilities, the Off-Site Facilities, the Production/Treatment Facilities, and the construction phasing.

## 7.2 Construction Plans and Specifications.

a. Preparation. After approval (or deemed approval) by TreatCo of the Master Plan, Developer will complete or cause to be completed (as needed to enable TreatCo and DistCo to timely provide TreatCo Services and DistCo Services to the Project) all engineering, construction plans and specifications necessary for construction of the Phase I Facilities and initial Backbone Facilities. All such engineering, construction plans and specifications will be in accordance with (a) reasonable utility standards appropriate for utility construction in the County, and (b) to the extent applicable, all requirements and rules and regulations of the Commission, the Maricopa County Department of Environmental Services, the City of Phoenix (to the extent required by operating agreement or franchise), and all other regulatory agencies having jurisdiction. Except for construction of the water

and wastewater treatment plants that are part of the Production/Treatment Facilities (to the extent constructed under a design-build scenario), the engineering, construction plans and specifications will also be of sufficient detail to specify material types, manufacturers, and installation methods and procedures, all of which will be in accordance with reasonable utility standards appropriate for utility construction in the County. TreatCo and Developer will jointly participate in a review of the design-build process for construction of the water and wastewater treatment plants that are part of the Production/Treatment Facilities.

b. Approval by TreatCo. Approval of the engineering, construction plans and specifications by DistCo will not be required. Developer will submit the engineering, construction plans and specifications to TreatCo for review and approval. Together with the engineering, construction plans and specifications Developer will submit (for information purposes only and in full-size blueprint format, unless Developer and TreatCo mutually agree to electronic data format, half-size bond copies, and/or other media) preliminary plats, final plats, address maps and other similar items which may be reasonably requested by TreatCo. TreatCo will conduct its review of the engineering, construction plans and specifications within 30 days after receipt of submittal and will provide all comments in writing within such period. As part of the review process, TreatCo will provide

Developer with any comments on value-engineering that could reduce Construction Costs, to the extent TreatCo has such comments. Subsequent reviews of any amendments or other changes to the engineering, construction plans and specifications will be conducted within 14 days after receipt of the amendments, and comments to such amendments will also be provided in writing. If TreatCo does not respond in writing within the applicable 30-day or 14-day period, it will be deemed to have approved the plans and specifications or amendment, as the case may be. TreatCo will conduct all reviews, make all comments and revisions, and grant all approvals at its own expense, and TreatCo will not unreasonably withhold its review or approval.

c. Early Commencement. Unless otherwise agreed to by Developer and TreatCo, if Developer begins construction of any Phase I Facilities or any Backbone Facilities before all approvals required by this Agreement have been obtained, any subsequent repair, alteration or reconstruction necessary to comply with such approvals will be the sole responsibility of Developer.

## ARTICLE VIII

### CONSTRUCTION OF FACILITIES

8.1 Permits, Materials and Labor. As and when required to construct all Phase I Facilities and Backbone Facilities set forth on the approved construction plans and specifications, and in

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a manner that will enable TreatCo to place them into satisfactory operation, Developer will (a) obtain all permits, zoning, easements and approvals, including environmental and facility permits (such as aquifer protection permits and underground storage facility permits), and (b) provide all materials and transportation, equipment, power, labor, supervision, testing, insurance, bonds and all else so required. Developer may enter into such engineering, design and construction contracts as Developer deems appropriate in connection with the design and construction of the Phase I Facilities and Backbone Facilities without approval or review of such contracts by DistCo or TreatCo. As provided in Article VI, TreatCo will obtain all operating permits, approvals and other Authorizations.

8.2 Operational and Final Acceptance.

a. Operational Acceptance. Promptly upon request by Developer from time to time, and at such other times as TreatCo may reasonably deem necessary or appropriate, TreatCo will inspect all construction of the Phase I Facilities and Backbone Facilities. Developer will comply with the reasonable inspection and testing requirements of the applicable jurisdictional entities in which those Facilities are located, and such compliance will be determined by TreatCo in the exercise of its reasonable discretion. No portion of the Phase I Facilities or Backbone Facilities will be placed in service until (i) such portion has been inspected by

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TreatCo and (ii) TreatCo has issued its Operational Acceptance of such portion. Subject to the satisfaction of the requirements stated in the next sentence, TreatCo will notify Developer in writing of Operational Acceptance within 15 days of substantial completion of construction of such portion. "Operational Acceptance" exists with respect to each portion when (x) Developer has made all submittals required in accordance with Section 7.2 and (y) construction of the Phase I Facilities and Backbone Facilities or applicable portion thereof is substantially completed in accordance with the construction plans and specifications. For purposes of clause (y) of the preceding sentence, "substantially completed" means construction and successful testing of the Facilities or such portion except for the existence of minor punch list items that remain to be completed by contractors and subcontractors, provided that the Facilities or applicable portions thereof are sufficiently complete in accordance with the construction plans and specifications so that the Facilities or applicable portion thereof can be utilized for their intended purpose. TreatCo will conduct inspections within a time period consistent with normal construction procedures (such period not to exceed 15 days) after requested by Developer and will not unreasonably withhold or delay Operational Acceptance of the Facilities or any portion thereof. Operational Acceptance will be evidenced by written notice by TreatCo to Developer.

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b. Final Acceptance. With respect to any portion of a Facility as to which Operational Acceptance has occurred, Developer will promptly (i) complete the punch list items that were not completed at the time of such Operational Acceptance, (ii) complete testing of such portion, and (iii) complete final grading and adjustments, roadways and sidewalks under which the Facilities are installed. Upon completion of all those matters and receipt of all submittals required in accordance with Sections 8.12, 8.14 and 8.15, "Final Acceptance" exists with respect to such portion of the Facilities, and TreatCo will promptly notify Developer in writing of Final Acceptance of such portion of the Facilities.

8.3 Commencement of Service. TreatCo and DistCo will be able to commence service under this Agreement immediately upon Operational Acceptance of the Facilities constructed by Developer necessary to provide such service.

8.4 Title. All materials installed, facilities constructed and equipment with respect to the Phase I Facilities and Backbone Facilities provided under this Agreement will become the property of TreatCo upon issuance by TreatCo of an Operational Acceptance for the portion of the Facilities that includes such material, facilities or equipment, without the requirement of any written documents of transfer to TreatCo. Developer will execute promptly such documents as TreatCo may reasonably request to evidence transfer of possession (and contractor and supplier

warranties) to TreatCo and good and merchantable title in TreatCo, as applicable, to all of said property, free and clear of all mechanics and similar liens.

8.5 Warranty. For twelve months after Operational Acceptance of any portion of the Phase I Facilities and Backbone Facilities (the "Developer Warranty Period"), Developer warrants that all construction, including materials and workmanship of such portion of the Phase I Facilities and the Backbone Facilities, is substantially in accordance with the construction plans and specifications, is properly installed and capable of being fully operational, and is free of material defects. If within the Developer Warranty Period TreatCo believes that any of the foregoing warranties have been violated, TreatCo will provide written notice to Developer specifying the breach and the action TreatCo believes is necessary to correct such breach. Upon the receipt of such written notice, Developer will have a period of 30 days to commence correction of such breach. TreatCo will allow Developer and its agents, employees, contractors, engineers, and subcontractors access to the Facilities in connection with any repairs necessary as a result of such breach. TreatCo and DistCo will at all times cooperate with Developer and its agents, employees, contractors, engineers, and subcontractors in making such repairs and corrections. As long as Developer completes such repairs and corrections within 60 days after the receipt of such notice (or such longer period as may be determined by Developer,

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TreatCo and DistCo to be reasonably necessary to effect such repair), Developer will not have additional liability to DistCo, TreatCo or any other person as the result of such breach. If Developer does not cause such breach to be corrected within such period, then DistCo and TreatCo may cause such correction, in which case Developer will reimburse DistCo and TreatCo for their reasonable costs and expenses in connection with such repair and correction.

8.6 Construction by Citizens Parties. TreatCo is responsible for constructing all Subsequent Off-Site and Subsequent Production/Treatment Facilities. The Subsequent Off-Site and Subsequent Production/Treatment Facilities will be constructed substantially in accordance with the plans (including the phasing plan for those Facilities), specifications and schedules of values approved by Developer and TreatCo prior to the commencement of such construction. Any material changes to those plans, specifications and schedules also must be approved in writing by Developer and TreatCo. Neither Developer nor TreatCo will unreasonably withhold its approval. TreatCo will coordinate with Developer to ensure, consistent with prudent utility practice, that the Subsequent Facilities are needed and that the proposed construction will reasonably satisfy that need and will be accomplished in a cost-effective and efficient manner.

8.7 Warranty. For twelve months after substantial completion of the Subsequent Off-Site and Subsequent Production/Treatment Facilities (the "TreatCo Warranty Period"), TreatCo warrants and guarantees that all construction, including materials and workmanship, is in accordance with the construction plans and specifications, is properly installed and capable of being fully operational, and is free of material defects. If within the TreatCo Warranty Period Developer believes that any of the foregoing warranties have been violated, Developer will provide written notice to TreatCo specifying the breach and the action Developer believes is necessary to correct such breach. Upon the receipt of such written notice, TreatCo will have a period of 30 days to commence correction of such breach. Developer will at all times cooperate with TreatCo and its agents, employees, contractors, engineers, and subcontractors in making such repairs and corrections. As long as TreatCo completes such repairs and corrections within 60 days after the receipt of such notice (or such longer period as may be determined by Developer and TreatCo to be reasonably necessary to effect such repair), TreatCo will not have additional liability to Developer or any other person as the result of such breach. If TreatCo does not cause such breach to be corrected within such period, then Developer may cause such correction (and TreatCo will allow Developer and its agents, employees, contractors, engineers, and subcontractors access to the Facilities in connection with any repairs necessary as a result of such breach), in which case TreatCo will reimburse Developer for

its reasonable costs and expenses in connection with such repair and correction.

8.8 Repairs. A Constructing Party will repair or cause to be repaired promptly, at no cost to any other Party, any damage to the Facilities or the Project caused by the Constructing Party, its subcontractors, or an Affiliate of the Constructing Party, whether or not the cause is related to construction to be performed under this Agreement.

8.9 Indemnification. Each Constructing Party indemnifies, saves and holds the remaining Parties harmless from and against all claims, damages, costs and expenses (including reasonable attorneys' fees and court costs) that may be based upon any injury or alleged injury or death to any person or damage to property that may occur, or that may be alleged to have occurred, in the course of the performance of the construction under this Agreement by the Constructing Party or by any of its subcontractors or Affiliates, whether such claim is made by any employee of any of the Constructing Party or by a third person, and whether or not it is claimed that the alleged injury, death or damage was caused through a negligent act or omission of any of the Constructing Party, or of any of its subcontractors. This indemnity does not apply to negligent or intentional acts of any of the other Parties, their agents, servants and employees. The Constructing Party will, at its own cost and expense, pay all costs and other expenses

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arising from any of the foregoing, or incurred in connection therewith: If any judgment will be rendered against another Party in any such action or actions, the Constructing Party, jointly and severally, will, at its own cost and expense, satisfy and discharge the same.

8.10 Insurance. Each Constructing Party will furnish the other Parties with evidence of insurance coverage as set forth on Exhibit F. Such evidence will be furnished prior to the commencement of construction by such Constructing Party.

8.11 Clean-Up. Upon completion of work, a Constructing Party will remove all equipment belonging to it or used under its direction or by its subcontractors, and will dispose of all unused materials, rubbish, surplus excavated materials and debris. The Constructing Party will repair all road, sidewalks and other public or private rights-of-way damaged by its work. Such repairs will be made in accordance with the requirements of governmental bodies or private associations having jurisdiction over the repairs.

8.12 Developer's Invoice.

a. Submission of Invoice by Developer. From time to time after Operational Acceptance of the Project Pipeline, but not more frequently than monthly, Developer may submit invoices to TreatCo for the following:

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- i. Construction Costs that have been paid by Developer for the Phase I Facilities and the Backbone Facilities.
  - ii. The costs of acquiring real property interests that have been transferred to TreatCo or DistCo, as described in Section 8.17.
  - iii. The costs of acquiring utility easements and rights of way that have been transferred to TreatCo or DistCo, as described in Section 14.2.
  - iv. Ak-Chin Water Lease Costs that have been paid by Webb.

The invoice will be accompanied by (A) all bills, statements, invoices and all other evidences of expense received by Developer from subcontractors, suppliers and others for all engineering and other services, materials installed, construction performed, equipment provided and materials purchased under this Agreement, and (B) all reasonable additional supporting data which TreatCo may request.

b. Payment by TreatCo. TreatCo will pay one-half of the invoiced amount to Developer within 30 days after receipt of the invoice. Notwithstanding the foregoing:

i. The sum of (A) the aggregate amount paid in any calendar year by TreatCo to Developer under this Section, and (B) Construction Costs for the Subsequent Facilities that have been paid by TreatCo in that year and have not been reimbursed by Developer under Section 8.13(b), will not exceed the maximum amount set forth in Exhibit I with respect to that year. If such sum is less than such maximum amount, the difference will be rolled over to and added to the maximum amount for the following year. If such sum would be more than such maximum amount, the difference will eligible for payment in subsequent years.

ii. The sum of (A) the aggregate amount paid by TreatCo to Developer under this Section, and (B) Construction Costs for the Subsequent Facilities that have been paid by TreatCo and that have not been reimbursed by Developer under Section 8.13(b) will not exceed \$24,000,000.

8.13 TreatCo's Invoice.

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a. Submission of Invoice by TreatCo. Within 60 days after TreatCo's completion of any portion of the Subsequent Facilities, TreatCo will submit an invoice to Developer for all Construction Costs pertaining to the Subsequent Facilities. The invoice will be accompanied by: (i) all bills, statements, invoices and all other evidences of expense received by TreatCo from subcontractors, suppliers and others for all engineering and other services, materials installed, construction performed, equipment provided and materials purchased under this Agreement, and (ii) all reasonable additional supporting data which Developer may request.

b. Payment by Developer. Developer will pay the invoiced amount to TreatCo within 30 days after receipt of the invoice. As provided in Section 8.12(b) i) and (ii), invoiced amounts that have not been reimbursed by Developer are taken into account in determining the maximum payment obligations of TreatCo under that Section.

8.14 As-Built Plans. With respect to any portion of a Facility as to which Operational Acceptance has occurred, Developer will (within 60 days after Operational Acceptance) submit to TreatCo as-built plans for all Facilities constructed by Developer in full-size mylar format, unless Developer and TreatCo mutually agree to electronic data format, half-size bond copies and/or other



8.16 Residential and Commercial On-Site Development.

Before DistCo is required to provide DistCo Services to a specific subdivision or commercial property, the Builder will be required to enter into line extension agreements with DistCo (substantially in the form attached as Exhibit J and in accordance with DistCo's then current tariffs and rules and regulations approved by the Commission) providing for construction of the portion of the On-Site Facilities serving the specific subdivisions or commercial property.

8.17 Land and Other Property. Promptly after Operational

Acceptance of a Facility, the underlying land, as mutually agreed upon by TreatCo and Developer for Off-Site Facilities and Production/Treatment Facilities plus any improvements thereon (and any other assets as may be agreed to), will be conveyed by Developer to TreatCo. The Production/Treatment Facilities will be located on such land as depicted on Exhibit E, which land will be transferred at a cost of \$660,000. All other real property and interests in real property (such as easements and licenses) necessary for TreatCo and DistCo to carry out their obligations hereunder will be conveyed by Developer to TreatCo for the purchase price of (a) \$20,000/acre for real property and (b) for other interests in real property, the greater of \$10 or Developer's actual costs in acquiring such interest (excluding costs paid to an Affiliate of Developer). Developer will execute and deliver to TreatCo documents of conveyance in form reasonably satisfactory to

TreatCo to convey interests in real property. The costs of all property covered by this Section will be invoiced by Developer to TreatCo under Section 8.12.

8.18 Designated Representatives. Developer, TreatCo and DistCo will each appoint a Designated Representative. During the term of this Agreement, the Designated Representatives will meet monthly (and more often if requested by Developer, TreatCo or DistCo) to discuss any and all issues related to this Agreement and to explore mutual concerns. The meetings will be held at a mutually acceptable location in Maricopa County, Arizona, at a fixed time on the same day of each month.

ARTICLE IX  
CONSTRUCTION WATER

9.1 Construction Water.

a. Usage. Before issuance to DistCo by the Commission of a certificate of convenience and necessity, and if Developer has paid all operating costs for the Project Pipeline, Developer may withdraw water from the Project Pipeline or construction wells for construction uses without charge. After issuance of the certificate of convenience and necessity and operational acceptance of the Project Pipeline, water for construction and other uses will be provided by one of the Citizens

Parties. This water is to be metered. If approved by DistCo or TreatCo, water required for construction of Facilities may be unmetered. If the water is unmetered, TreatCo and/or DistCo will estimate the amount of unmetered water used and charge Developer for the water. Water will not be withdrawn from any hydrant or other facility of DistCo or TreatCo without the prior consent of DistCo or TreatCo and the setting of a meter. Notwithstanding the foregoing, Webb may utilize without restriction the 150 acre-feet of groundwater that Webb has acquired for initial construction by its lease of Grandfathered Right 58-112312.

b. Payment After Issuance. After issuance of the certificate of convenience and necessity, (i) Developer will pay DistCo for Potable Water obtained by Developer from DistCo in accordance with DistCo's then current rates and (ii) Developer will pay TreatCo for Non-Potable Water at an initial rate of \$200 per acre foot, subject to such future changes as may be approved by the Commission.

9.2 Construction Meters. For construction water purposes, temporary meters for construction uses will be at no charge to Developer other than the actual costs of installation.

ARTICLE X  
CONDEMNATION OF FACILITIES

10.1 Allocation of Condemnation Proceeds. If all or any portion of the Facilities are condemned or taken (or threatened to be condemned or taken) before Build-Out, then the proceeds of any such condemnation or taking (or any transfer to a condemnor under threat of or in lieu of condemnation or taking) will be allocated between the Webb Parties and the Citizens Parties in the following order of priority:

a. Recovery of Condemnation Costs. First, to the extent the Citizens Parties pay or incur legal fees and costs (collectively "Condemnation Costs") in connection with disputing or litigating against any threatened or actual condemnation of any of the Facilities, the Condemnation Costs will be reimbursed to the Citizens Parties from any condemnation proceeds.

b. Recovery of Advances. Next, to the Webb Parties and to the Citizens Parties until each of them has received condemnation proceeds equal to: (i) in the case of the Webb Parties, the aggregate unrefunded Developer's Advances, and (ii) in the case of the Citizens Parties, the aggregate unrefunded Citizens' Advances. The allocation of condemnation proceeds under

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this subsection will be pro rata based on the following formula for the Webb Parties: The amount described in clause (i) divided by the sum of the amounts described in clauses (i) and (ii). The allocation of condemnation proceeds under this subsection will be pro rata based on the following formula for the Citizens Parties: The amount described in clause (ii) divided by the sum of the amounts described in clauses (i) and (ii).

c. Balance. Thereafter, the amount of the remaining condemnation proceeds ("RCP") to be allocated to the Webb Parties will be determined under the following formula:  $(1 - (AERU/10,000))/2 \times RCP$ . After allocating to the Webb Parties their share of the RCP, the balance of the RCP will be allocated to the Citizens Parties. The RCP will then be paid out to the Webb Parties and the Citizens Parties in proportion to these allocations.

Advances not yet invoiced under Section 8.12 or 8.13 at the time of transfer will be deemed unrefunded Advances for purposes of this Section. The portion of the proceeds allocable to the Webb Parties will be divided between them as they may agree. The portion of the proceeds allocable to the Citizens Parties will be divided among them as they may agree. This Section will apply regardless of whether actual title to any of the Facilities has been transferred

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by any of the Webb Parties to any of the Citizens Parties. Notwithstanding anything herein to the contrary, the Webb Parties will not be paid any portion of any condemnation proceeds of all or any portion of the Facilities with respect to condemnation or threatened condemnation that begins after the date of Build-Out.

10.2 Assurances. As of the date of this Agreement, the Webb Parties represent and warrant to the Citizens Parties that, to the best of their knowledge, no federal, state or local government (or any subdivision, department, bureau or other agency thereof) intends to condemn all or any part of the Facilities.

#### ARTICLE XI

#### PERFORMANCE STANDARDS

11.1 Performance Standards. The Citizens Parties covenant and agree:

a. Contracted Services. Distco and Treatco will be able to provide all DistCo Services and TreatCo Services under the terms of this Agreement.

b. Water Rates. Distco's rates for water will not exceed the levels set forth on Exhibit D for the three-year period beginning on the date DistCo first supplies water to a residential customer.

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c. Wastewater Rates. Rates for wastewater service will not exceed the levels set forth on Exhibit D for the three-year period beginning on the date DistCo first supplies water to a residential customer.

d. Potable Water Standards. Potable Water purchased by DistCo from TreatCo and sold and delivered to customers within the Project will at all times meet or exceed the drinking water standards and requirements established pursuant to any applicable law or as required by any regulatory agency having jurisdiction over DistCo or TreatCo (including Maricopa County, Arizona, the Arizona Department of Environmental Quality, the ADWR, and the Environmental Protection Agency) in effect now or as may hereafter be established.

e. Wastewater Standards. The quality of treated wastewater and effluent produced by TreatCo will at all times meet or exceed all applicable legal requirements or standards now or hereafter in effect and will be suitable for the generation of Effluent Credits and all uses of treated wastewater as may now or hereafter be permitted by law.

f. Level of Service. All DistCo Services and TreatCo Services provided by DistCo and TreatCo, respectively, to customers in the Project will be continuous and in sufficient

quantities and at required pressures to meet customer demand without interruption.

g. Compliance. DistCo and TreatCo will safely and prudently design, engineer, construct, operate and maintain their respective facilities, systems and assets in compliance with all applicable laws now or hereafter in effect and in accordance with generally accepted utility practices and sound engineering principles and the Operations and Maintenance Manual.

h. Encumbrances. Until Build-Out, neither TreatCo nor DistCo will sell, lease, assign, mortgage or otherwise dispose of or encumber any part of the Facilities which is necessary or useful in the provision of DistCo Services or Non-Potable Water Services or its duties hereunder (or expressly encumber revenues derived from the Facilities) without the prior consent of Developer, which consent will not be unreasonably withheld.

i. DistCo Services. DistCo will provide DistCo Services for the Project in accordance with the provisions of this Agreement and such terms and conditions of the Commission's regulations governing the provision of such service as are now or may hereafter be in effect, subject only to such variations as are approved by Developer, in writing, and, to the extent required by law, the Commission.

ARTICLE XII  
DISPUTE RESOLUTION

12.1 Scope of Article. This Article governs the resolution of all disputes that arise under this Agreement.

12.2 Good Faith Negotiations. A Party that believes a dispute exists under this Agreement will first refer the dispute to the Designated Representatives for resolution. The Designated Representatives of each Party will personally meet and attempt in good faith to resolve the dispute. If the Designated Representatives cannot resolve the dispute within fourteen days, the matter will be referred to senior management of Webb and Citizens for resolution. If these persons are unable to resolve the dispute within seven days thereafter, a Party that still believes a dispute requires resolution may avail itself of the provisions of Section 12.3.

12.3 Mediation and Arbitration. If a Party still believes a dispute requires resolution after following the procedures of Section 12.2, that Party will first give a detailed written notice of dispute to the other Parties setting forth the nature of the dispute. The Parties will then, before resorting to arbitration, first try in good faith to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under its Construction Industry Arbitration Rules or

Commercial Arbitration Rules, as appropriate. The mediator must have substantial experience with the water utility industry.

Any dispute not resolved by mediation within 60 days after the initial meeting of the Designated Representative will, upon request of any Party, be submitted for and settled by binding arbitration administered by the AAA before a single arbitrator. If the controversy or claim relates to construction, the arbitration will be conducted in accordance with the AAA's Construction Industry Arbitration Rules; otherwise, the AAA's Commercial Arbitration Rules will apply. In any case the arbitrator must have substantial experience with the water utility industry. The arbitrator has no power to amend or modify this Agreement. Judgment on the award rendered by the arbitrator may be entered in any court with jurisdiction.

12.4 Other Remedies. The preceding paragraphs of this Article XII are intended to set forth the primary procedure to resolve all disputes under this Agreement. It is expected that all disputes that would traditionally be resolvable by a law court would be resolvable under this procedure. However, the Parties recognize that certain business relationships could give rise to the need for one or more of the Parties to seek equitable remedies from a court that were traditionally available from an equity court, such as emergency, provisional or summary relief, and injunctive relief. Immediately following the issuance of any such

equitable relief, the Parties will stay any further judicial proceeding pending mediation or arbitration of all underlying claims between the Parties.

The Parties also recognize that the Commission has primary jurisdiction over certain issues that may arise between and among the Parties that relate to the provision of public utility service. Accordingly, this Article is not intended to prohibit any Party from bringing any such issues to the Commission for resolution or from taking any position at the Commission that would not be inconsistent with or barred by this Agreement or by collateral estoppel, res judicata or other issue or fact preclusive doctrines.

12.5 Appeal. Within 30 days after the date of the arbitration award, a Party may appeal to the U.S. District Court for the District of Arizona if such court has jurisdiction, and otherwise to any state court of record in Arizona having jurisdiction, to vacate and remand, or modify or correct the arbitration award for any of the grounds specified in the Federal Arbitration Act.

12.6 Confidentiality. The arbitration proceedings will be conducted in secrecy. Except as otherwise agreed by the Parties in writing, (a) the fact of the pending arbitration will not be disclosed or confirmed by the Parties or the arbitrator to any

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person who is not a party to, or called to testify at, the proceedings until the arbitration award has been made, (b) the proceedings will not be recorded or transcribed in any manner, and (c) all documents, testimony and records (other than the contract documents out of which the dispute arises) will be received, heard and maintained by the arbitrator in secrecy, available for inspection only by the Parties, their attorneys and by experts who will agree, in advance and in writing, to receive all such information in secrecy. The secret information will not be described in the arbitration award in such manner as to be commercially useful.

#### ARTICLE XIII

#### REPORTS; NOTICES; AMENDMENTS TO WATER/WASTEWATER PURCHASE AGREEMENT

13.1 Reports. DistCo and TreatCo will promptly provide Developer with copies of all material reports, filings and submittals pertinent to the Project made by or on behalf of DistCo or TreatCo with any regulatory agency having jurisdiction over their operations.

13.2 Notices; Participation. The Citizens Parties will, within seven business days or sooner if practical, notify Developer in writing of, and provide any reasonably requested documents, upon learning of any of the following that arise in connection with:

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a. any liability or alleged liability of the Citizens Parties that could materially impair the ability of the Citizens Parties to perform their obligations hereunder or to provide adequate DistCo Services or TreatCo Services,

b. any Commission, administrative, judicial or other proceeding or threatened proceeding that could materially impair the ability of the Citizens Parties to perform their obligations hereunder or to provide adequate DistCo Services or TreatCo Services.

The Citizens Parties will provide the Webb Parties with 20 days' advance notice, and a copy, of any filing by a Citizens Party with the Commission requesting a change in the rates or terms and conditions of service of TreatCo or DistCo or any change to the operations or structure of TreatCo or DistCo which requires Commission approval. Before the Webb Parties participate in any Commission proceeding involving any of the Citizens Parties, the Webb Party will (i) give the Citizens Party at least ten days' prior written notice of its intent to participate in such proceeding or, if the Commission has scheduled a hearing on less than ten days' notice and the Webb Parties did not reasonably foresee the scheduling of that hearing, at least 24 hours' notice), and (ii) meet and confer with TreatCo's and DistCo's Designated Representatives regarding such participation.

13.3 Amendments to Water/Wastewater Purchase Agreement.

Without the prior written consent of Developer, which consent will not be unreasonably withheld, (a) the terms of the Water/Wastewater Purchase Agreement will not be amended or modified in any manner, (b) neither DistCo nor TreatCo will waive any material rights or duties arising under that Agreement, and (c) neither DistCo nor TreatCo will assign or delegate (except to an Affiliate) any material rights or duties under that Agreement.

13.4 Termination. The Parties' obligations under this

Article will terminate on the date of Build-Out of the Project.

ARTICLE XIV

GENERAL PROVISIONS

14.1 Phased Development. Development in the Project is

intended to be performed in phases. Developer and TreatCo will schedule engineering and construction of Facilities to coincide with those phases. This Agreement applies to each phase.

14.2 Utility Easements. Developer will obtain and convey

to DistCo and TreatCo all easements and rights of way required to provide DistCo Services and TreatCo Services within the Project. These easements and rights of way will not require DistCo or TreatCo to obtain approval of any homeowners association or similar group for any construction, repair, or replacement of any facility.

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If Developer needs to obtain these easements or rights of way from other persons other than Webb and its Affiliates, the cost of the easements or rights of ways will be invoiced by Developer to TreatCo under Section 8.12. Developer will not be required to obtain easements needed to provide services as contemplated hereunder with respect to public rights of way. Easements in a subdivision will be covered by the line extension agreement with the Builder and will be the responsibility of the Builder.

#### 14.3 Related Service.

a. At Developer's Request. At Developer's request, DistCo and TreatCo will serve all customers in any contiguous areas to the Project that are owned, controlled or designated by Developer, subject to the limitation that DistCo and TreatCo cannot supply more water to customers than it receives from time to time from the Ak-Chin Water (or, with the consent of Webb as described in Section 4.2(c), from other sources) and that the total ERUs in the Project and such contiguous areas not exceed 14,500. Customers outside the Project will be served under the terms of standard line extension agreements substantially in the form attached as Exhibit J. However, if TreatCo reasonably determines that the provision of such additional service would increase either DistCo's or TreatCo's average rate base investment per customer, Developer will pay TreatCo the amount of any increase to DistCo's or TreatCo's average rate base investment per customer

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as a condition of providing such services. On receiving Developer's request for such service, DistCo and TreatCo will promptly seek all Authorizations and enter into all agreements necessary to provide the requested service. Developer's rights under this Section will terminate three years after the date of Build-Out.

b. Standstill. Unless otherwise required by law, the Citizens Parties covenant that TreatCo and DistCo will not provide (or allow to be provided) any DistCo Services or TreatCo Services from the Facilities to any customer not located within the Project or the contiguous areas designated by Developer under paragraph (a) above without the prior written consent of Developer until after 8,250 ERUs are taking service. The covenant of the Citizens Parties contained in the preceding sentence terminates on the Performance Date if less than 3,000 ERUs within the Project take service on the Performance Date.

c. Reservation for Additional Developments. If service capacity is then available, and upon written notice given to Citizens not later than three years before Build-Out, Webb or Developer may reserve any remaining capacity in the Facilities for designated additional Webb developments in the vicinity of the Project. To make such reservation Webb will pay to Citizens an initial reservation charge of 10% of the anticipated ERUs, multiplied by the then-current Capacity Reservation Charge. For

Webb to maintain its reservation, thereafter Webb must pay an additional reservation charge, in the same amount, on the anniversary date of the reservation. Webb's obligation to pay charges will cease when such additional Webb development commences. All reservation charges paid hereunder will be credited on a per ERU basis against the amounts that otherwise become due under Exhibit C with respect to such additional Webb development. If development has not commenced within three years of the reservation date, Webb's reservation will terminate and its reservation charges previously paid will be retained by Citizens. Notwithstanding paragraph (b) above, and to the extent practical after taking into account the reservation, Citizens or an Affiliate will be entitled to provide DistCo Services and TreatCo Services to up to 1,000 ERUs of non-Webb developments after Build-Out. The other terms and conditions of such services must be satisfactory to the Parties and will be negotiated at the time the notice is received.

14.4 Force Majeure. No Party will be liable to another Party for failure, default or delay in performing any of its obligations under this Agreement, other than for the payment of money obligations specified in this Agreement, if such failure, default or delay is the result of any cause or event not within the control of the Party affected and which, by the exercise or reasonable diligence, such Party is unable to prevent or mitigate (such a cause or event being "Force Majeure"). Force Majeure does not include changes in local, state, national or international



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person, and (d) any change in control of a Party. For purposes of this Section, "change in control" means a transaction or series of transactions, such that any person (as that term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934), excluding Affiliates of the Party as of the date of this Agreement, is or becomes the beneficial owner (as that term is used in Section 13(d) of such Act) directly or indirectly, of securities of the Party representing 50% or more of the combined voting power of the Party's then outstanding securities.

14.6 Notices. Except as otherwise specified in this Agreement, any notice, demand, request or other communication required or authorized by this Agreement to be given in writing to a Party must be either (a) personally delivered, (b) mailed by registered or certified mail (return receipt requested), postage prepaid, (c) sent by overnight express carrier, or (d) sent by telecopy or electronic mail, in each case at the following address:

To the Webb Parties addressed as follows:

The Villages at Desert Hills, Inc.  
Attn.: Manager  
14901 North Scottsdale Road, Suite 200  
Scottsdale, Arizona 85254

with a copy to:

Del Webb Corporation  
General Counsel  
6001 North 24th Street  
Phoenix, Arizona 85016

or to such other address as Developer or Webb may advise the  
Citizens Parties in writing, and to the Citizens Parties at:

Citizens Utilities Company  
15626 N. Del Webb Boulevard  
P.O. Box 1687  
Sun City, Arizona 85372

with a copy to:

Craig A. Marks  
Associate General Counsel  
Citizens Utilities Company  
2901 North Central Avenue  
Phoenix, Arizona 85004

and with a further copy to:

Gallagher & Kennedy, P.A.  
Attn: Terence W. Thompson, Esq.  
2600 North Central Avenue  
Phoenix, Arizona 85004

or to such other address as Citizens, DistCo or TreatCo may advise the Webb Parties in writing. The designation of such person and/or address may be changed at any time by either Party upon written notice given under this Section. All notices, demands, requests or other communications sent pursuant to this Section will be deemed received (i) if personally delivered, on the Business Day of delivery, (ii) if sent by telecopy or electronic mail before noon (12:00 p.m.) Phoenix time, on the day sent if a Business Day or, if such day is not a Business Day or if sent after noon (12:00 p.m.) Phoenix time, on the next Business Day, (iii) if sent by overnight express carrier, on the next Business Day immediately following the day sent, or (iv) if sent by registered or certified mail, on the earlier of the third Business Day after the day sent or when actually received. Any notice by telecopy or electronic mail will be followed by delivery on the next Business Day by overnight express carrier or by hand.

14.7 Entire Agreement; Attachments.

a. Entire Agreement. This Agreement (including all exhibits and any other attachments) constitutes the entire understanding between the Parties regarding the subject matter of this Agreement, supersedes any and all previous understandings between the Parties (including any letter of intent) regarding the subject matter of this Agreement, and binds and inures to the benefit of the Parties, their successors and assigns. None of the Parties has entered into this Agreement in reliance upon any oral or written representation or information provided by any other Party.

b. Attachments. Attachments not complete at the effective date of this Agreement will be added as they are completed by written amendment, signed by each Party. Each attachment that is completed or modified by a subsequent amendment will note on its face the date and number of that amendment.

14.8 Further Assurances. If a Party determines in its reasonable discretion that any further instruments, assurances or other things are necessary or desirable to carry out the terms of this Agreement, the other Parties will execute and deliver all instruments and assurances and do all things reasonably necessary or desirable to carry out the terms of this Agreement, including

using their best efforts to negotiate and enter into any agreements that may become necessary and appropriate.

14.9 No Waiver. The failure of a Party to enforce at any time any of the provisions of this Agreement (or to require at any time performance by the other Party of any of its provisions) is not to be construed as a waiver of such provisions and does not in any way affect the validity of this Agreement or the right of such Party to enforce any provision.

14.10 Modification or Waiver. A modification or waiver of all or any part of this Agreement is not valid unless it is reduced to a written agreement.

14.11 Governing Law and Interpretation. The laws of the State of Arizona govern the interpretation and performance of this Agreement.

14.12 Counterparts. This Agreement may be executed in several counterparts.

14.13 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third person to any

Party. This Agreement does not create any duty, liability or standard of care to any person not a Party.

14.14 Confidential and Proprietary Information. Any information provided by one Party to another Party that is conspicuously labeled "CONFIDENTIAL AND PROPRIETARY", or any matter derived from such information, may not be disclosed by the receiving Party to any third party, except: (i) with the providing Party's consent, not to be unreasonably withheld, (ii) pursuant to a subpoena or other legal process or pursuant to a court order or a regulatory authority order obtained after the receiving Party has used reasonable efforts to obtain an order of the court protecting the confidentiality of the information and/or restricting its dissemination, (iii) if such dissemination is necessary after the occurrence of a default under this Agreement by the Party supplying such information in connection with the enforcement of the rights of the non-defaulting Party, or (iv) if the information provided by one Party to another Party is otherwise publicly available. If a Party that receives confidential information becomes aware of any attempt by any third party or court to obtain any confidential information, the Party will, as soon as practicable thereafter, notify the Party that labeled the information as confidential of the attempt to obtain the information. Upon request of the providing Party, the information must be promptly returned.

14.15 Review of Facilities. Review, audit or inspection by a Party of a Facility constructed by another Party or of a document drafted by another Party does not constitute an endorsement or warranty of any of them, or a waiver of any right under this Agreement.

14.16 Regulatory Approvals.

a. General. This Agreement is subject to approval by the Commission on or before August 15, 1998.

b. Contingent Regulatory Orders. The Citizens Parties will use their best efforts to obtain, as soon as practicable, but in no event later than August 15, 1998, a final non-appealable order from the Commission that:

i. grants the Citizens Parties a Certificate of Convenience and Necessity to provide the water and wastewater utility services contemplated by this Agreement in the Project;

ii. approves the terms and provisions of this Agreement; and

iii. approves the terms and conditions of the Water/Wastewater Purchase Agreement.

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c. Schedule. The Citizens Parties will file for the regulatory approvals set forth in paragraph (b) above no later than October 15, 1997, together with all supporting information required by the Commission's regulations. The Citizens Parties' filing must be approved by Developer in advance of the filing, which approval will not be unreasonably withheld or delayed.

d. Effect of Absence of Requisite Order. If Commission approval is not obtained as provided in paragraph (a) above or the Commission order is not as described in paragraph (b) above, then the Parties will attempt to amend and/or restate this Agreement. If the Parties do not execute an amendment and/or restatement of this Agreement within 30 days of the date of the Commission's order, Webb may elect to terminate this Agreement in accordance with the procedures set forth in Section 14.23. This paragraph does not preclude the exercise by Webb of its right to terminate this Agreement under Section 14.23.

14.17 Computation of Time. In computing any period of time prescribed or allowed under this Agreement, the day of the act, event or default from which the designated period of time begins to run is included. Weekend and holidays are also included. Section 14.6 sets forth special rules as to when notices and other communications are deemed received.

14.18 No Party the Drafter. This Agreement is the product of negotiation between the Webb Parties and the Citizens Parties. No Party is deemed the drafter of this Agreement.

14.19 Term of Agreement. Subject to the express provisions of this Agreement that otherwise limit or extend the time period during which a Party is obligated to perform a certain obligation, this Agreement will terminate on the third anniversary of the occurrence of Build-Out.

14.20 Joint and Several Liability. The Webb Parties will be jointly and severally liable for the obligations of each of the Webb Parties under this Agreement. The Citizens Parties will be jointly and severally liable for the obligations of each of the Citizens Parties under this Agreement.

14.21 Interest on Late Payments. Except as otherwise provided herein, all payments under this Agreement that are not paid within 30 days of the due date of the payment will accrue interest thereon at the Prime Rate plus two percent (2%) per annum, compounded monthly from the due date of the payment until the amount is paid.

14.22 Audit Rights. Webb and Citizens may, from time to time at the cost of the auditing party and upon reasonable advance notice, audit the books and records of the other Party and its

Affiliates with respect to information arising out of this Agreement.

14.23 Termination.

a. Termination Events. The occurrence of any of the following will constitute a "Termination Event":

i. A Commission staff report recommending substantially complete approval of the Citizens Parties' filing under Section 14.16 is not issued by March 15, 1998.

ii. A final non-appealable order of the Commission containing the approval set forth in Section 14.16 is not obtained by August 15, 1998.

iii. Webb notifies the Citizens Parties at any time before December 31, 1998 that Webb has determined in its reasonable, but sole discretion, based on actions taken by third parties who are not Affiliates, that it will be unable to commence delivery to TreatCo of the Ak-Chin Water as contemplated by Section 4.2 by December 31, 1998.

iv. The right to provide utility service within the Phoenix Area is not obtained by the Citizens Parties by May 31, 1998.

v. Before December 31, 1998, the Bureau of Reclamation requires the preparation of an environmental impact statement in connection with the use of the Ak-Chin Water or construction of any of the Facilities.

vi. Before December 31, 1998, a court of competent jurisdiction enjoins, suspends, terminates, or prohibits in any manner, on either a temporary or permanent basis, the delivery or use of Ak-Chin Water in connection with the Project or the construction or operation of any of the Facilities.

b. Right to Terminate. If a Termination Event occurs, Webb will have the right (but not the obligation) to terminate this Agreement on the terms and conditions set forth in this paragraph (b). This right exists notwithstanding any provision of this Agreement such as Section 4.3, that contemplates certain adjustments upon occurrence of one or more of the events described in paragraph (a). If Webb desires to exercise this right, it must do so within 90 days after the Termination Event by notifying in writing the other Parties of such exercise.

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If this right of termination is exercised, Webb will pay Citizens the Termination Payment within 30 days of receiving documentation from Citizens supporting each element of the Termination Payment, which documentation will be provided within 30 days of receiving Webb's notice of termination. The "Termination Payment" equals the sum of the ordinary and necessary costs paid or incurred by the Citizens Parties in connection with the Project prior to receipt of the notice of termination, which will include only

i. The actual Unrefunded Citizens' Advances, plus interest thereon from the time paid or incurred by the Citizens Parties until the date of the notice of termination at the rate of 7.75% per annum.

ii. Hourly charges of the Citizens Parties' employees calculated using actual hourly rates for each employee (which rates are utilized by Citizens in the ordinary course of business), plus A) an addition of payroll and direct overhead costs (which addition is calculated in the same manner as calculated by Citizens in the ordinary course of business, which will not exceed two times direct labor, up to a maximum of \$100,000 for 1997 and \$10,000 per month for each month in 1998 until the Termination Event, and (B) travel, per diem, and

reasonable out-of-pocket expenses incurred by those employees, and

iii. Reasonable and documented fees and costs paid for engineering, legal or other outside consulting services provided by persons who are not Affiliates.

c. Effect of Termination. Upon receipt by all of the other Parties of the notice of termination of this Agreement in accordance with paragraph (b), and except as provided in paragraph (d), the Parties will have no further obligations to each other under this Agreement, except that:

i. Webb will remain liable for the Termination Payment.

ii. The Citizens Parties will transfer to Developer, within 15 days after receipt of the notice of termination, (A) all materials, facilities or equipment previously transferred to, or acquired by, them under or in connection with this Agreement, (B) all Authorizations, and (C) all books and records prepared by or for the Citizens Parties in connection with the operations and services of TreatCo and DistCo, and

iii. Any dispute regarding the Termination Payment will be subject to Article XII.

The Citizens Parties will execute promptly such documents as Developer may reasonably request to evidence transfer of possession to Developer and good and merchantable title in Developer to all of said property, free and clear of all liens and encumbrances and will cooperate in securing any approvals necessary for the transfer of Authorizations.

d. Resumption of Agreement. In the case of a Termination Event arising under subparagraph (a)(iii), and notwithstanding paragraph (c), and if Webb determines that the Ak-Chin Water will be available for use in connection with the Project either through Webb or a non-municipal provider, the Citizens Parties will have the continuing right to provide the services that are the subject of this Agreement. If Webb determines prior to December 31, 1996 that the Ak-Chin Water will be so available, Webb will notify the Citizens Parties of that determination. Within 30 days after receipt of that notice, the Citizens Parties must notify Webb as to whether the Citizens Parties desire to exercise the right to provide the services. If the Citizens Parties elect not to exercise the right or if they do not respond to Webb within the 30-day period, the right of the Citizens Parties will expire, and the Webb Parties will be free to enter into an agreement with any other person for the provision of the services. If the Citizens

Parties elect to exercise the right, the Parties will, within 30 days of the election by the Citizens Parties, execute a written agreement on the same terms and conditions as set forth in this Agreement (with dates and time periods adjusted to take into account the time that transpired after the Termination Event and with any other necessary conforming changes, and with any disputes regarding such adjustments and changes being subject to Article XII). Citizens will refund the Termination Payment and Webb will bear the incremental costs associated with Citizens' obtaining a Certificate of Convenience and Necessity, calculated in the manner set forth in paragraph 14.23(b)(ii) and (iii). The right of the Citizens Parties under this paragraph (d) will expire on December 31, 1996.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be entered into on the day and year first above written.

DEL WEBB CORPORATION

By: [Signature]  
Its: Vice President

THE VILLAGES AT DESERT HILLS, INC.

By: [Signature]  
Its: Vice President

CITIZENS UTILITIES COMPANY

By: Ronald G. Winkler  
Its: Vice President

CITIZENS WATER SERVICES COMPANY OF ARIZONA

By: Ronald G. Winkler  
Its: Vice President

CITIZENS WATER RESOURCES COMPANY OF ARIZONA

By: Ronald G. Winkler  
Its: Vice President

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**EXHIBIT A**  
**DEFINITIONS**

"AAA" means the American Arbitration Association.

"ADWR" means the Arizona Department of Water Resources.

"AERU" has the meaning set forth in Section 3.3.

"Advances" means Developer's Advances and Citizens' Advances.

"Affiliate" means any person (other than an individual) which directly or indirectly controls, is controlled by, or is under common control with, another person. For purposes of this definition, "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether by contract or otherwise.

"Agreement" means this Agreement dated as of September 29, 1997, among Webb, Developer, Citizens, DistCo and TreatCo, including all exhibits and any other attachments.

"Ak-Chin" means the Ak-Chin Indian Community.

"Ak-Chin Water" means 7,500 acre-feet per year of the 10,000 acre-feet per year of surface water to which Ak-Chin

presently holds the rights, which water is leased to Webb under the Water Lease and that is to be scheduled for delivery to TreatCo hereunder.

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"Ak-Chin Water Lease Costs" means the principal component of the Water Lease Charges for 7,500 acre-feet per year of Ak-Chin Water. Ak-Chin Water Lease Costs do not include (i) the interest component of Water Lease Charges, (ii) Water Use Charges, or (iii) other Ak-Chin Water Use Costs.

"Ak-Chin Water Use Costs" means the Water Use Charges for (i) the amount of Ak-Chin Water actually scheduled or taken by TreatCo or (ii) if such amount (together with all other amounts scheduled under the Water Lease by persons other than TreatCo) is less than the minimum amount required by Section 5(C) of the Water Lease, the portion of such minimum amount associated with the Ak-Chin Water, plus (w) any payments made by Webb under Section 5(A) of the Water Lease to ensure that the amount of the Ak-Chin Water available to Webb under the Water Lease will not be reduced, (x) any shortage charges imposed by Section 5(D) of the Water Lease, (y) any applicable sales or similar taxes, and (z) except as set forth in the following sentence, any other charges imposed under the Water Lease. Ak-Chin Water Use Costs do not include Water Lease Charges.



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"Business Day" means any day other than a Saturday, Sunday or other day in which banks in Phoenix, Arizona or Stamford, Connecticut are required to close.

"CAP" means the Central Arizona Project.

"CAP Water" means water obtained from the CAP, excluding the Ak-Chin Water.

"CAWCD" means the Central Arizona Water Conservation District.

"Capacity Reservation Charges" means the Capacity Reservation Charges described in Exhibit C.

"Citizens" means Citizens Utilities Company, a Delaware corporation.

"Citizens' Advances" has the meaning set forth in Section 3.1(d).

"Citizens Parties" means Citizens, DistCo and TreatCo.

"Commission" means the Arizona Corporation Commission.

"Condemnation Costs" has the meaning set forth in Section 10.1.

"Constructing Party" means a Party undertaking construction of a portion of the Facilities to be constructed under this Agreement.

"Construction Costs" means all ordinary and necessary expenditures that are paid in connection with the engineering, design and construction of any Facilities according to the approved construction plans and specifications, including:

a. Costs of preparing engineering, construction plans and specifications for those Facilities,

b. Costs of all permits, zoning, easements and approvals, including environmental and facility permits (such as aquifer protection permits and underground storage facility permits) for construction of those Facilities,

c. Costs of all materials and transportation, equipment, power, labor, supervision, testing, insurance, bonds and all else required for such construction,

d. Costs of acquiring chemicals and other supplies that are located in the Facilities at the time of transfer of the

Facilities to TreatCo and that are reasonable and customary in quantity and quality, and

e. Costs of acquiring other assets (including intangible assets and water rights) that are to be transferred to TreatCo in connection with the services contemplated by this Agreement and that are mutually agreed to by Developer and TreatCo,

and that are paid by Developer or TreatCo to a person (which term includes an entity) that is not a Party or an Affiliate of any Party. Construction Costs do not include:

x. Any profit or overhead of any Party or of any Affiliate of any Party.

y. Costs of preparing and completing the Master Plan.

z. Costs incurred by a Party in connection with review of plans submitted by another Party under this Agreement.

"County" means Maricopa County, Arizona.

"County Area" means the portion of the Project presently located in the unincorporated area of the County.

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"Designated Representatives" means the individuals described in Section 8.18.

"Developer" means The Villages at Desert Hills, Inc., an Arizona corporation.

"Developer Warranty Period" has the meaning set forth in Section 8.5.

"Developer's Advances" has the meaning set forth in Section 3.1(b).

"DistCo" means Citizens Water Services Company of Arizona, an Arizona corporation.

"DistCo Services" has the meaning set forth in Section 2.3.

"ERU" means an Equivalent Residential Unit, which is that portion of a residential or commercial unit receiving DistCo Services from DistCo that uses an equivalent amount of water as a typical single-family home, whether or not located within the Project. An ERU will only be counted at the time of first receipt of such service, notwithstanding any subsequent cessation and resumption of such service. ERUs for various facilities are determined under the following schedule:

TYPE OF IMPROVEMENT	ASSOCIATED ERU
Single Family Homes	1.00
Apartment Units	.75
Recreation Centers	32.00
Elementary Schools	35.00
Middle Schools	125.00
High School	125.00
Junior College	125.00
Club House	16.00
Neighborhood Park	5.00
Regional Park	10.00
Church	4.00
Other Commercial Units (per acre)	4.25
Landscape Services	0.00

"Effluent Credit" means effluent (also known as treated wastewater) stored by TreatCo in the underground storage facility to be constructed hereunder, provided said effluent meets the requirements of A.R.S. § 45-852.01 and that has been credited to TreatCo's long-term storage account.

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"Facilities" means the Off-Site Facilities, the Production/Treatment Facilities and the Backbone Facilities.

"Final Acceptance" has the meaning set forth in Section 8.2 (b).

"Force Majeure" has the meaning set forth in Section 14.4.

"includes" and "including" denote a partial definition.

"Incremental Costs" means those operation and maintenance costs incurred by TreatCo to transport and recharge water that would not normally have been incurred had the incremental quantity of water not been transported and recharged. However, with respect to recharged effluent, Incremental Costs means those costs that are not included in the authorized rates of TreatCo for disposal of the effluent. Incremental Costs include pumping power expense, labor expense, maintenance expense, taxes, fees and charges incurred and similar operating expenses. Incremental Costs do not include profit or overhead. TreatCo will make reasonable efforts to conduct its business operations in a cost-effective and efficient manner consistent with good utility practices; Incremental Costs do not include any costs which were not incurred in accordance with this standard and which are not reasonably documented when an invoice for such Incremental Costs is submitted to a Webb Party.

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"Master Plan" means the master plan for water and wastewater infrastructure for the Project prepared as set forth in Section 7.1.

"means" denotes an exhaustive definition.

"Non-Potable Water" means surface water, effluent, recovered effluent, recovered surface water and water from any other source (including Ak-Chin Water and CAP Water) which is not suitable for human consumption and is intended for construction, landscape irrigation or other purposes.

"Non-Potable Water Services" means distribution of Non-Potable Water.

"Off-Site Facilities" means the facilities required to deliver raw water from the Waddell Canal to the Project, including the Waddell Canal turn-out structure, the raw water pumping station and the Project Pipeline, all as defined in the Master Plan.

"On-Site Facilities" means all facilities (other than the Backbone Facilities and the Production/Treatment Facilities) to be constructed by Builders and to be located within the Project boundaries and required for DistCo to provide DistCo Services within the Project, including (a) the Potable Water distribution system and (b) wastewater collection system.

506-001-0001  
"Operational Acceptance" has the meaning set forth in Section 8.2(a).

"Operations and Maintenance Manual" means the collected procedures governing the operation and maintenance of the Facilities.

"Party" and "Parties" means the Webb Parties and the Citizens Parties.

"Performance Date" means the date that is eleven years from the last day of the month in which Developer first receives payment of any Construction Costs from TreatCo under Section 8.12(b).

"Phase I Facilities" means the Phase I Production/Treatment Facilities and the Phase I Off-Site Facilities.

"Phase I Off-Site Facilities" means the facilities to be constructed by Developer that are required to provide initial water and wastewater services to the Project, including the Waddell Canal turn-out structure, the initial phase of the raw water pumping station, the Project Pipeline, and all other items needed to deliver raw water from the Waddell Canal to the Project, all as described in the Master Plan.

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"Phase I Production/Treatment Facilities" means the production and treatment facilities to be constructed by Developer that are required to provide initial water and wastewater services to the Project, including the initial phase of the raw water impounding reservoir, the initial phase of the water treatment plant, the initial phase of the wastewater treatment plant, the initial phase of the effluent storage lagoons, the initial phase of the treated water storage and booster facilities, the initial phase of the recharge facility, the initial recovery and Potable Water wells, and all related items, all as described in the Master Plan.

"Phoenix" means the City of Phoenix, Arizona.

"Phoenix Area" means the portion of the Project presently located in Phoenix.

"Potable Water" means surface water, recovered effluent, recovered surface water and water from any other source (including Ak-Chin Water and CAP Water) which is fit for human consumption.

"Production/Treatment Facilities" means all facilities to be located inside the Project boundaries and required for TreatCo to provide Potable Water and wastewater treatment services to DistCo for services within the Project or areas designated by Webb under Section 14.3(a) or to provide Non-Potable Water deliveries

for services within the Project or areas designated by Webb under Section 14.3(a) including:

- (a) water treatment plant,
- (b) wastewater treatment plant,
- (c) stored water recovery wells,
- (d) storage tanks and booster stations, and
- (e) underground storage and recovery facilities.

"Project" means the new community to be developed as provided in the Development Master Plan identified in Recital A and known as The Villages at Desert Hills in the County and in Phoenix, the location and boundaries of which are shown on Exhibit E.

"Project Pipeline" means the pipeline and supporting facilities to be constructed by Developer to transport Ak-Chin Water and any other CAP Water from the turn-out structure at the Waddell Canal to the water treatment plant in the Project.

"RCP" has the meaning set forth in Article 10.1.

"Recharge Credit" means Ak-Chin Water or other water (except effluent) stored by TreatCo in the underground storage facility to be constructed under this Agreement, provided said water meets the requirements of A.R.S. § 45-852.01 and has been credited to TreatCo's long-term storage account.

"Refund" has the meaning set forth in Exhibit B.

"Subsequent Facilities" means the Subsequent Production/Treatment Facilities and the Subsequent Off-Site Facilities.

"Subsequent Off-Site Facilities" means the Off-Site Facilities to be constructed by TreatCo after completion of the Phase I Off-Site Facilities pursuant to Section 8.6.

"Subsequent Production/Treatment Facilities" means the Production/Treatment Facilities to be constructed by TreatCo after completion of the Phase I Production/Treatment Facilities pursuant to Section 8.6.

"Termination Event" has the meaning set forth in Section 14.23(a).

"Termination Payment" has the meaning set forth in Section 14.23(b).

"TreatCo" means Citizens Water Resources Company of Arizona, an Arizona corporation.

"TreatCo Services" has the meaning set forth in Section 2.2)

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"TreatCo Warranty Period" has the meaning set forth in Section 8.7.

"Water Lease" means that certain Option and Lease Agreement among the Ak-Chin, the United States of America and Webb dated December 14, 1994, as described in Article IV, a copy of which is attached hereto as Exhibit G and incorporated herein.

"Water Lease Charges" has the meaning set forth in the Water Lease.

"Water Use Charges" has the meaning set forth in the Water Lease.

"Water/Wastewater Purchase Agreement" means the agreement between TreatCo and DistCo described in Article V and attached as Exhibit H.

"Webb" means Del Webb Corporation, a Delaware corporation.

"Webb Parties" means Webb and Developer.

## EXHIBIT B

### REFUNDS OF ADVANCES

1. TreatCo will pay to Citizens and Developer refunds of Citizens' Advances and Developer's Advances (collectively "Refunds") as follows:

a. Refunds in the amount of \$5,000 per ERU first taking service during a calendar year will be made on July 1 of the following year, the seventh month following the end of the calendar year of the ERU connection. For example, Refunds for ERU connections in 1999 will be due on July 1, 2000. Of this total refund amount, and subject to Sections 3.3(e), (f) and (g), 25% (\$1,250 per ERU) will be payable to Citizens and 75% (\$3,750 per ERU) will be payable to Developer.

b. Once at least 3,500 ERU have been connected, Refunds will retroactively increase by \$800 per ERU, and subsequent Refunds will be in the amount of \$5,800 per ERU until 7,000 ERU have been connected. The payment made on the July 1 following the year in which the 3,500th ERU is connected will account for all of the ERUs previously connected to the DistCo system. Subsequent Refunds will be only for the incremental ERUs (i.e., those in excess of the initial 3,500) in each of the preceding calendar years. Of these amounts, and subject to Sections 3.3(e), (f) and

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(g). 25% (\$1,450 per ERU) will be payable to Citizens and 75% (\$4,350 per ERU) will be payable to Developer.

c. Once at least 7,000 ERU have been connected, Refunds will retroactively increase by \$300 per ERU, and subsequent Refunds will be in the amount of \$6,100 per ERU. The payment made on the July 1 following the year in which the 7,000th ERU is connected will account for all of the ERUs previously connected to the DistCo system. Subsequent Refunds will be only for the incremental ERUs (i.e., those in excess of the initial 7,000) in each of the preceding calendar years. Of these amounts, and subject to Sections 3.3(e), (f) and (g), 25% (\$1,525 per ERU) will be payable to Citizens and 75% (\$4,575 per ERU) will be payable to Developer.

d. Once a total of 10,000 ERU have been connected within the Project, true-up payments will be made (i) to Developer for unrefunded Developer's Advances and (ii) to Citizens for unrefunded Citizens' Advances. For additional ERUs in excess of the first 10,000, Refunds will continue to be made after the true-up payment at the annual rates set forth in paragraph (c) above, subject to the limitations set forth in paragraph 2 below.

e. At Build-Out, a final true-up payment will be made (i) to Developer for the remaining unrefunded Developer's

Advances and (ii) to Citizens for the remaining unrefunded Citizens' Advances.

f. Any Refunds not made by July 1 of any year will bear interest from July 1 of that year at the Prime Rate plus 2.00% per annum until paid.

2. The total amount of all Refunds to be made to Developer will not exceed the total amount of Developer's Advances (plus any applicable interest under paragraph 1(f) above, which interest is not to be construed as part of the Refund), less payments made to Developer by TreatCo under Section 8.12(b). The total amount of all Refunds to be made to Citizens will not exceed the total amount of Citizens' Advances (plus any applicable interest under paragraph 1(f) above, which interest is not to be construed as part of the Refund), less payments made to TreatCo by Developer under Section 8.13(b). Dividends declared or paid by TreatCo to a shareholder of TreatCo do not constitute Refunds.

EXHIBIT C

Capacity Reservation Charges

1. Subject to Commission approval, TreatCo will charge Builders for Capacity Reservation Charges, which will be payable to TreatCo, for each Equivalent Residential Unit ("ERU") in accordance with the following procedures:

a. Before applying for a building permit, each Builder will notify TreatCo of how many ERUs will be connected to DistCo (together with a schedule of connections), as a result of expected construction under the building permit applied for by the Builder.

b. TreatCo will prepare a statement using the number of ERUs and estimated schedule of construction shown on the Builder's notice and will submit the statement to the Builder within 15 calendar days after receipt of the Builder's ERU notification. TreatCo may submit invoices to Builders from time to time with respect to any Capacity Reservation Charges that are payable and for which TreatCo has not received a notice.

c. Capacity Reservation Charges are due and payable to TreatCo in full within five Business Days after a building permit is issued for each ERU that will be connected to

DistCo. The appropriate Capacity Reservation Charge is that shown in paragraph 2, below, using the construction date shown on the schedule of construction obtained from the Builder. DistCo will not be obligated to supply water to any customer that has not paid in full all Capacity Reservation Charges attributable to the customer's property. TreatCo will provide DistCo with notice of such payment.

2. Capacity Reservation Charges per ERU will be one-half of the following stated amount for water service and one-half of the following stated amount for wastewater service:

\$1,000 total per ERU from the beginning of the Project through December 31, 2005.

\$2,300 total per ERU from January 1, 2006 through December 31, 2008.

\$4,830 total per ERU from January 1, 2009 through the end of the Project.

EXHIBIT D

INITIAL RATES & TARIFFS

1. Rates.

a. Monthly Charges.

Residential 5/8" Meter

Water \$ 16.00/mo.

Wastewater 16.00/mo.

Residential - Multi Master (Apt.)

Water \$ 12.00/mo.

Wastewater 12.00/mo.

Commercial

Water \$ 32.00/mo.

Wastewater 32.00/mo.

Large Commercial

Water \$160.00/mo.

Wastewater 160.00/mo.

Other

Water \$ 80.00/mo.

Wastewater

80.00/mo.

b. Consumption.

Water	\$2.00/M Gallon
Wastewater - Residential	\$2.00/M Gallon of water used up to 7 M Gallon/mo.
Wastewater - Commercial	\$2.00/M Gallon of water used up to 72 M Gallon/mo.
Wastewater - Other	\$2.00/M Gallon of water used up to 36 M Gallon/mo.

2. Tariffs will be substantially similar to the tariffs for water service and wastewater service for Sun City West (Arizona) in effect on the date of this Agreement (excluding the portion of the tariffs applicable to industrial discharges).

EXHIBIT E

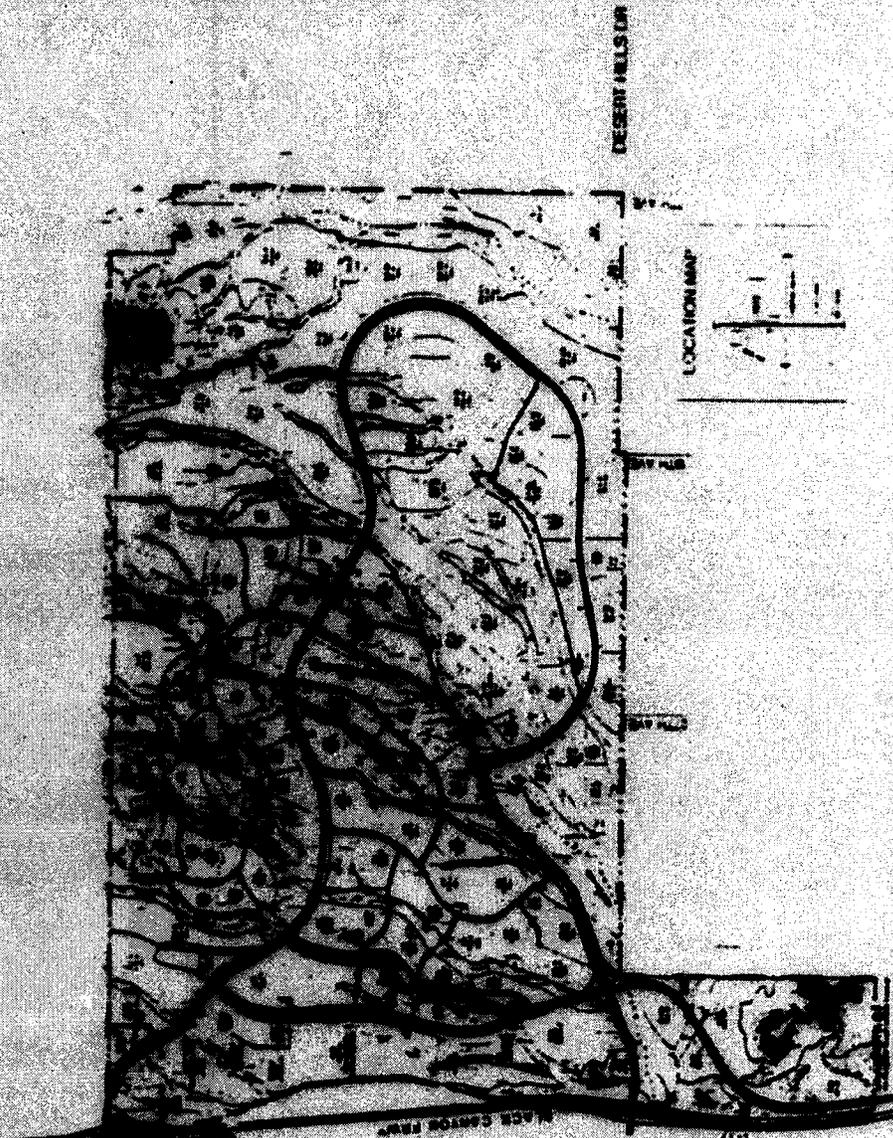
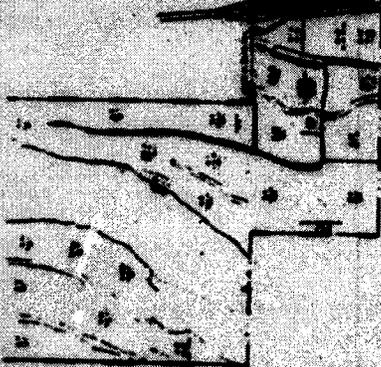
PROJECT LOCATION



1000-100-605

WOOD - HOD - 500F

# MASTER DEVELOPMENT PLAN



 <p>VSA Urban, Suburban &amp; Rural Architecture, Planning &amp; Engineering 10000 E. 1st Avenue, Suite 100 Denver, CO 80231 Tel: 303.733.1100</p>	 <p>City of Aurora 1000 East 1st Avenue Aurora, CO 80010 Tel: 303.681.1000</p>	<p><b>THE VILLAGES AT DESERT HILLS</b></p>	 <p>City of Aurora 1000 East 1st Avenue Aurora, CO 80010 Tel: 303.681.1000</p>
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EXHIBIT F

INSURANCE

A. Each Constructing Party will carry or cause to be carried the following insurance:

1. Commercial General Liability Insurance with a minimum limit of liability of \$1,000,000 combined single limit for each occurrence for bodily and personal injury including death, and property damage and \$1,000,000 products/comp. ops. Such coverage under the Contractual Liability section will be broad enough to cover the terms and conditions of the Indemnification clause of this Agreement. Coverage for explosion, collapse and underground hazards "x, a, u" will be included.
2. Business Automobile Liability Insurance with a minimum limit of liability of \$1,000,000 combined single limit covering all owned, non-owned, leased and hired vehicles for each occurrence for bodily injury, including death, and property damage.
3. Workers Compensation Insurance with statutory limits and Employer's Liability insurance with limits of \$1,000,000

each accident, \$1,000,000 disease-each employee,  
\$1,000,000 disease-policy limit.

4. Excess Liability Insurance with a minimum limit of \$5,000,000. The limit of liability under this insurance may be increased accordingly to satisfy the minimum requirements under the Commercial General Liability, Business Automobile Liability and Employer's Liability Insurance.

B. Citizens, its subsidiaries, Affiliates, directors, officers, employees and agents will be included as additional insureds under Developer's Commercial General Liability Insurance policy. Before the commencement of any work and upon renewal of any policy referenced, satisfactory evidence of compliance with such insurance requirements will be issued to the Citizens Parties. The insurance companies referenced on such evidence will give the Citizens Parties at least 30 days' advance written notice of any material change to and/or cancellation of any of the policies referenced on such evidence. A Certificate of Insurance issued to the Citizens Parties will be deemed as satisfactory evidence of compliance with these requirements.

C. Webb, its subsidiaries, Affiliates, directors, officers, employees and agents will be included as an additional insured

under Citizens' General Liability Insurance policy. Before the commencement of any work and upon renewal of any policy referenced, satisfactory evidence of compliance with such insurance requirements will be issued to Developer. The insurance companies referenced on such evidence will give Developer at least 30 days' advance written notice of any material change to, and/or cancellation of any of the policies referenced on such evidence. A Certificate of Insurance issued to Developer will be deemed as satisfactory evidence of compliance with these requirements.

- D. All insurance required under this Agreement will be placed with carriers with an A.M. Best's Rating of B- or better. All parties are to maintain the Commercial General Liability and Excess Liability coverages for not less than five years after the last system hook-up within the boundaries of the Project. Each party will also maintain adequate property insurance on and security for their respective equipment and building materials.

EXHIBIT G

AR-CHIN WATER LEASE

WOODRUFFSON

**OPTION AND LEASE AGREEMENT**

**AMONG**

**THE AK-CHIN INDIAN COMMUNITY**

**THE UNITED STATES OF AMERICA**

**AND**

**DEL WEBB CORPORATION**

**Phoenix, Arizona**

4000-100-005



1 the "Notice of Final Water Allocations to Indians and non-Indian Water Users and  
2 Related Decisions" which was published in 48 Fed. Reg. 12446, March 24, 1983, as  
3 is necessary to fulfill the Secretary's water delivery obligation to the  
4 Community. The 1984 Act provides that Central Arizona Project water to be  
5 delivered to the Community is to be delivered as provided in the December 11,  
6 1980, Central Arizona Project water delivery contract between the United States  
7 and the Community, except as is otherwise provided by the 1984 Act and any  
8 contract executed pursuant to the 1984 Act.

9 C. On October 2, 1985, the United States and the Community entered  
10 into an agreement entitled "Contract Between the United States and the Ak-Chin  
11 Indian Community To Provide Permanent Water and Settle Interim Water Rights"  
12 (hereinafter "the Settlement Agreement") for the purpose of implementing the 1984  
13 Act.

14 D. In 1992, the Community sought and obtained the introduction of  
15 S.2507 before the Congress of the United States. Subsequent to a hearing before  
16 the Senate Select Committee on Indian Affairs, S.2507 was incorporated into H.R.  
17 5686, which was enacted on October 24, 1992, and which amended the 1984 Act to  
18 permit the Community to lease, to enter into options to lease, to extend leases,  
19 and to exchange or temporarily to dispose of water to which it is entitled under  
20 the 1984 Act for beneficial use within the Pinal, Phoenix and Tucson Active  
21 Management Areas, which were established in 1980 by Arizona Revised Statutes  
22 §45-411, for periods not to exceed 100 years. The 1992 amendment of the 1984 Act  
23 is set forth in Section 10 of Public Law 102-497 (106 Stat. 3258), which was  
24 enacted on October 24, 1992.

25 E. Del Webb is an Arizona corporation, whose shares are publicly  
26 traded and whose principal offices are located at Phoenix, Arizona. Del Webb is

1 one of the nation's leading developers of active adult communities. The Company  
2 has built and sold more than 40,000 homes at its Sun City communities over the  
3 past 30 years. The Company designs, develops and markets these large-scale,  
4 master-planned residential communities for active adults, controlling all phases  
5 of the master plan development process from land selection through construction  
6 and selling of homes. The Company developed Sun City near Phoenix, Arizona, and  
7 it is currently selling homes at Sun City West, two miles west of Sun City; Sun  
8 City, Tucson; Sun City, Las Vegas; and Sun City, Palm Springs. The Company is  
9 pursuing development opportunities in Austin, Texas; Roseville, California; and  
10 Hilton Head, South Carolina. The Company is also a master developer of  
11 conventional planned communities such as The Foothills in Phoenix, Arizona, and  
12 is master developer/builder of Terravita, a conventional planned community in  
13 Scottsdale, Arizona.

14 F. In 1952, the Company acquired a property in Maricopa County,  
15 Arizona, commonly known as the Lakeview Property (hereinafter "the Property")  
16 which is located approximately five miles east of Lake Pleasant, and which  
17 contains approximately 5,661 acres of land. Del Webb intends to develop the  
18 Property and, to do so, requires a reliable supply of surface water which can be  
19 made available to the Property for municipal and other uses for a period of 100  
20 years. For the purpose of supplying water to the Property, and for the possible  
21 purpose of providing water to such other of the Company's developments as the  
22 Company determines require water, Del Webb must acquire the right to the use of  
23 between 6,000 and 10,000 acre-feet of surface water per annum for municipal and  
24 other purposes for a period of 100 years. Although the development of the  
25 Property is in an early stage and the requisite approvals governing land use,  
26 density and related matters have not yet been obtained, the Company wishes to

1 obtain the right to lease a sufficient amount of the surface water made available  
2 to the Community pursuant to the 1984 Act and the Settlement Agreement to enable  
3 the Company to develop the Property, and possibly other properties, to the  
4 fullest potential, but without obligating the Company to lease the Community's  
5 water until the necessary approvals are obtained for the development of the  
6 Property and the Company's general water requirements are ascertained.

7 NOW, THEREFORE, for the foregoing purposes and for the consideration  
8 herein set forth, which the Community, the United States and the Company  
9 acknowledge to be adequate, the parties to this Agreement agree as follows:

10 AGREEMENTS

11 1. Effective Date of Agreement. This Agreement shall be effective,  
12 binding upon the parties, and enforceable according to its terms as of the latest  
13 date stated on the signature page of this Agreement (the "Effective Date"), which  
14 reflects the fulfillment of the following conditions:

15 A. The Company has executed this Agreement;

16 B. This Agreement has been accepted and ratified by a resolution of  
17 the Ak-Chin Community Council and executed by an authorized representative of the  
18 Community;

19 C. The Settlement Agreement has been amended to reflect and  
20 implement the 1992 amendment of the 1984 Act, and, as amended, the Settlement  
21 Agreement has been executed by the Community and the Secretary or his duly  
22 authorized representatives and is effective.

23 D. The Agreement has been approved and executed by the Secretary or  
24 his duly authorized representatives; and

25 E. The Company has paid to the Community the sum of \$300,000.  
26

1           2. Grant of Option. On the Effective Date, the Community hereby grants  
2 to the Company, pursuant to this Agreement, the option to lease from the  
3 Community the right to the delivery and beneficial use of not less than 6,000  
4 acre-feet per annum nor more than 10,000 acre-feet per annum of the surface water  
5 made available to the Community pursuant to Section 2 of the 1984 Act and  
6 Paragraphs 3 and 4 of the Settlement Agreement (hereinafter "the Settlement  
7 Water").

8           A. The option herein granted may be exercised in the manner provided  
9 for in Paragraph 3 of this Agreement at any time through the later of December  
10 31, 1994, or the end of the 365th day after the Effective Date (hereinafter "the  
11 Initial Period"). If the option is not exercised as provided in this Paragraph  
12 2.A and is not extended pursuant to Paragraph 2.B, the option shall lapse and be  
13 of no further effect.

14           B. The option herein granted shall be extended for an additional  
15 period through the later of December 31, 1995, or the end of the 731st day after  
16 the Effective Date (hereinafter "the Extended Period") if the Company pays to the  
17 Community the sum of \$200,000 before the expiration of the Initial Period. The  
18 option herein granted, if thus extended, may be exercised in the manner provided  
19 for in Paragraph 3 at any time before the expiration of the Extended Period. If  
20 the option has been extended and is not exercised within the time provided in  
21 this Paragraph 2.B, the option shall lapse and be of no further effect.

22           3. Exercise of Option. The Company may exercise the option herein  
23 granted at any time before the expiration of the Initial Period or the Extended  
24 Period by giving notice to the United States and the Community in the form  
25 prescribed in Exhibit "A" to this Agreement, which Exhibit "A" is hereby made a  
26 part hereof, that the Company has exercised the option. In the event the Company

1 fails to exercise the option during the Initial Period or the Extended Period,  
2 this Agreement shall be of no further effect and all consideration paid by the  
3 Company to the Community shall be forfeited. In the event the Company exercises  
4 the option during the Initial Period, no portion of the consideration paid for  
5 the option shall be forfeited and the consideration paid shall be applied and  
6 credited in full in the manner provided in Paragraph 5.A.(3) of this Agreement.  
7 In the event Del Webb exercises the option during the Extended Period, \$400,000  
8 of the consideration paid by the Company for the option shall be applied and  
9 credited in the manner provided in Paragraph 5.A.(3) hereof, but the remaining  
10 amount of \$100,000 of the consideration paid by the Company for the option shall  
11 be forfeited.

12 4. Grant of Lease. Upon the exercise of the option by the Company, the  
13 Community hereby leases to the Company pursuant to this Agreement, for a term of  
14 100 years, beginning on the date the option is exercised, pursuant to Paragraph  
15 3, by notice given pursuant to Paragraph 16~~7~~.B, the right to the delivery and  
16 beneficial use of the number of acre-feet per annum of Settlement Water specified  
17 in the notice given by the Company to the United States and the Community in  
18 order to exercise the option, the form of which notice is attached as Exhibit "A"  
19 to this Agreement. The portion of the Settlement Water leased to the Company  
20 pursuant to this Agreement and specified in Exhibit "A" is herein referred to as  
21 the "Leased Settlement Water," except as is otherwise provided in Paragraph 5.C.

22 5. Consideration for Lease. In consideration for the Leased Settlement  
23 Water, the Company shall pay the following sums:

24 A. Water Lease Charges. The Company shall pay to the Community a  
25 one-time water lease charge (hereinafter the "Water Lease Charges") applicable  
26 to the full term of the lease which is equal to the result obtained by

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1 multiplying: (x) the number of acre-feet of Leased Settlement Water, which shall  
2 be specified in Exhibit "A" at the time that the option is exercised, by (y) an  
3 amount equal to \$1203, which amount shall be adjusted in direct proportion to the  
4 percentage change in the All Items Consumer Price Index for All Urban Consumers  
5 (1982-84 = 100) for All Cities published by the Department of Labor ("CPI-U")  
6 which occurs between the index published for the month of January, 1994, and the  
7 index published for the month in which the option is exercised. An example  
8 showing the manner in which the adjustment required by this Paragraph 5.A shall  
9 be made, and the manner in which the total of the Water Lease Charges shall be  
10 calculated, is attached hereto as Exhibit "B", which Exhibit "B" is hereby made  
11 a part hereof. In the event the CPI-U index is discontinued or is not otherwise  
12 available as of the date the option is exercised, comparable statistics on the  
13 purchasing power of the consumer dollar, as agreed upon between the Company and  
14 the Community, shall be substituted for such index in making the required  
15 adjustment. In the event the Company and the Community cannot agree upon the  
16 statistics that are considered to be comparable to the CPI-U index or upon the  
17 amount of the adjustment, the comparable statistics shall be selected, and the  
18 appropriate adjustment made, by the Secretary, whose determination shall be  
19 conclusive upon the Company and the Community.

20 (1) At the election of the Company, the Water Lease Charges  
21 shall be paid in full (without interest) either within 30 days of the exercise  
22 of the option, or, in ten equal annual installments of principal, with interest  
23 as hereinafter provided, the first of which installments shall be due and payable  
24 on the anniversary of the date on which the option is exercised, and the  
25 remaining installments of which shall be due and payable on the same date of each  
26 year thereafter until the Water Lease Charges are paid in full. In the event the

1 Company does not pay the Water Lease Charges in full within 30 days of the  
2 exercise of the option, the Company shall have elected to pay the Water Lease  
3 Charges in ten equal annual installments of principal.

4 (2) Interest shall accrue on the outstanding balance of the  
5 Water Lease Charges from time to time, beginning on the 31st day following the  
6 date of the exercise of the option, at the Prime Rate (defined below) in effect  
7 on such 31st day, and the interest rate on the outstanding balance shall change  
8 from time to time on the effective date of, and in accordance with, changes in  
9 the Prime Rate, provided, that in no event shall the rate of interest charged on  
10 the outstanding balance of the Water Lease Charges be less than 6% per annum nor  
11 more than 8% per annum calculated on the basis of actual days elapsed and 365-day  
12 years. For purposes of this Agreement, the term "Prime Rate" shall mean the per  
13 annum interest rate designated by Bank One Arizona as its "prime rate," "base  
14 rate", or "reference rate" for commercial loans as publicly announced from time  
15 to time. Accrued interest shall be due and payable annually, at the same time  
16 as the Water Lease Charges installment is due and payable, until the unpaid  
17 balance of the Water Lease Charges is paid in full. The unpaid balance of the  
18 Water Lease Charges may be prepaid at any time, together with accrued interest  
19 to date, and such a payment will satisfy the Water Lease Charges in full.

20 (3) That portion of the consideration paid by the Company for  
21 the option which is not forfeited shall be applied, as of the date of the  
22 exercise of the option, against the total balance of Water Lease Charges due and  
23 shall be credited and deducted from the first annual installment payment of the  
24 Water Lease Charges, including interest accrued thereon.

25 B. Water Use Charges. Subsequent to the exercise of the option, and  
26 in addition to the Water Lease Charges, the Company shall pay to the Community

1 a charge for the use of the Leased Settlement Water (hereinafter "Water Use  
2 Charge"), which Water Use Charge shall be determined as follows:

3 (1) During the first five years after the exercise of the  
4 option, the Water Use Charge shall be \$53.00 for each acre-foot of Leased  
5 Settlement Water scheduled by the Company for delivery as provided in this  
6 Agreement;

7 (2) During the sixth (6th) through the tenth year (10th) after  
8 the exercise of the option, the Water Use Charge shall be \$65.00 for each acre-  
9 foot of Leased Settlement Water scheduled by the Company for delivery as provided  
10 in this Agreement;

11 (3) During the eleventh (11th) through the fifteenth (15th) year  
12 after the exercise of the option, the Water Use Charge shall be \$83.00 for each  
13 acre-foot of Leased Settlement Water scheduled by the Company for delivery as  
14 provided by this Agreement; and

15 (4) During the sixteenth (16th) through the twentieth (20th)  
16 year after the exercise of the option, and during each five-year period  
17 thereafter through the end of the lease term, the Water Use Charge for each acre-  
18 foot of Leased Settlement Water scheduled by the Company for delivery shall be  
19 equal to the sum of the fixed and variable operation, maintenance and replacement  
20 costs which would be charged by the United States or the Central Arizona Water  
21 Conservation District or their successors, for the delivery of an acre-foot of  
22 Central Arizona Project non-Indian municipal and industrial water to the turn-out  
23 of the Maricopa Water District in the Central Arizona Project Aqueduct as of the  
24 first day of the sixteenth (16th) year after the exercise of the option, and as  
25 of the first day of each successive five-year period thereafter.

26

1 (5) Water Use Charges shall be due and payable at the times and  
2 in the manner prescribed in Paragraph 8.D of this Agreement.

3 C. Minimum Use. The Company cannot accurately forecast at present  
4 either the precise amount of Settlement Water which it will need to lease nor the  
5 precise rate at which demand will develop for the Leased Settlement Water.  
6 Further, the Company cannot commit to pay Water Use Charges for Leased Settlement  
7 Water which the Company does not schedule for delivery. In contrast, the  
8 Community wishes to assure itself of a stream of revenues over the next 100 years  
9 and does not wish to lease more water to any lessee than is actually used by a  
10 lessee, within the normal variances of use which would be experienced by any  
11 water user by reason of above-normal precipitation, cool weather, or other  
12 natural conditions. Accordingly, the Community and the Company, having balanced  
13 these concerns, specify that minimum use of Leased Settlement Water shall be as  
14 follows:

15 (1) The Company shall use an average of sixty percent (60%) of  
16 the Leased Settlement Water in each five-year period beginning on January 1,  
17 2015, through the end of the lease term, where the average use is calculated once  
18 every five years at the end of the five-year period, and not continuously, and  
19 where years in which Leased Settlement Water is unavailable to the Company by  
20 reason of drought, failure of the facilities or works of the Central Arizona  
21 Project, or similar circumstances, are excluded from the calculation of average  
22 use. All uses of Leased Settlement Water, including uses by sublessees and  
23 assignees, shall be included for purposes of calculating whether the Company has  
24 used an average of sixty percent (60%) of the Leased Settlement Water in each  
25 such five-year period. The calculation required by this subparagraph (1) shall  
26 be prepared by the Company and submitted to the Community, with a copy to the

1 United States, on or before January 31, 2020, and on or before the 31st day of  
2 January following the end of each five-year period thereafter.

3 (2) At the end of the first five-year period subsequent to  
4 January 1, 2015, in which the calculation made pursuant to subparagraph (1) of  
5 this Paragraph 5.C shows that the Company has failed to use the average quantity  
6 of Leased Settlement Water required to be used during the five-year period, the  
7 Company may elect, within thirty days of the date on which the calculation  
8 required by subparagraph (1) is submitted to the Community, either to surrender  
9 to the Community the right, during the remaining term of this Agreement, to lease  
10 thirteen percent (13%) of the amount of Leased Settlement Water as specified in  
11 Exhibit "A" to this Agreement, or, the Company may elect to pay to the Community,  
12 a sum of money calculated as follows:

13 (i) Determine the total amount of the Water Use Charge the  
14 Company would have paid during the five-year period if it had used sixty percent  
15 (60%) of the Leased Settlement Water in each year in the five-year period;

16 (ii) From the result obtained in (i), subtract the total  
17 amount of the Water Use Charge actually paid by the Company to the Community  
18 during the five-year period;

19 (iii) The difference obtained in (ii), above, shall equal  
20 the additional amount of money to be paid to the Community for the five-year  
21 period.

22 (3) The Company may make the election described in subparagraph  
23 (2) of this Paragraph 5.C by giving the United States and the Community notice  
24 of the election, and, if the Company elects to make the payment determined in the  
25 manner provided for in subparagraphs (2)(i) through (iii) of this Paragraph 5.C,  
26 the Company shall make the payment at the time it notifies the Community and the

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1 United States of its election and the Company shall retain the right to lease the  
2 amount of Leased Settlement Water specified in Exhibit "A." In the event the  
3 Company fails to make the election provided for in subparagraph (2) within the  
4 time provided for making the election, the United States and Community, by notice  
5 to the Company, shall, as their sole remedy, reduce the amount of Leased  
6 Settlement Water as specified in Exhibit "A" by thirteen percent (13%) for the  
7 remaining term of this Agreement.

8 (4) At the end of the next five-year period subsequent to the  
9 period described in subparagraph (2) in which the calculation made pursuant to  
10 subparagraph (1) of this Paragraph 5.C shows that the Company has failed to use  
11 the average quantity of Leased Settlement Water (as specified in Exhibit "A")  
12 required by subparagraph (1) to be used during the five-year period, the Company  
13 may make the same election that is provided for in subparagraph (2), within the  
14 time provided in subparagraph (2), failing which the United States and the  
15 Community, by notice to the Company, shall, as their sole remedy, reduce the  
16 amount of Leased Settlement Water (as specified in Exhibit "A") by an additional  
17 thirteen percent (13%) for the remaining term of this Agreement.

18 (5) At the end of the next five-year period subsequent to the  
19 period described in subparagraph (4) in which the calculation made pursuant to  
20 subparagraph (1) of this Paragraph 5.C shows that the Company has failed to use  
21 the average quantity of Leased Settlement Water (as specified in Exhibit "A")  
22 required by subparagraph (1) to be used during the five-year period, the Company  
23 may make the same election that is provided for in subparagraph (2), within the  
24 time provided in subparagraph (2), failing which the United States and the  
25 Community, by notice to the Company, shall, as their sole remedy, reduce the  
26

1 amount of Leased Settlement Water (as specified in Exhibit "A") by an additional  
2 thirteen percent (13%) for the remaining term of this Agreement.

3 (6) In any five-year period subsequent to the period described  
4 in subparagraph (5) in which the Company fails to use the average amount of  
5 Leased Settlement Water calculated pursuant to subparagraph (1) of this Paragraph  
6 5.C, the Company shall elect, within 30 days of the end of such period, either  
7 to pay to the Community, at the end of such period, an amount determined in the  
8 manner provided for in subparagraphs (2)(i) through (iii) of this Paragraph 5.C,  
9 or to terminate this Agreement, failing which the United States and Community  
10 may, as their sole remedy, terminate this Agreement.

11 (7) In the event that the amount of Leased Settlement Water  
12 which the Company is entitled to lease pursuant to this Agreement is reduced as  
13 provided for in this Paragraph 5.C, the term "Leased Settlement Water",  
14 subsequent to any such reduction, shall mean the number of acre-feet of Leased  
15 Settlement Water remaining after the reduction is made, except as is otherwise  
16 required by this Paragraph for purposes of calculating the amount of any  
17 reductions pursuant to subparagraphs (4) and (5).

18 (8) Other than as is provided in this Paragraph 5.C, nothing in  
19 this Agreement shall be construed as requiring the Company to pay a Water Use  
20 Charge for water which is not scheduled for delivery or to schedule any water for  
21 delivery in any year or years.

22 D. Additional Charges in Times of Shortage. The Company shall pay  
23 to the Community for Leased Settlement Water which is scheduled for delivery  
24 during a time of shortage, as defined in this Paragraph 5.D, an additional  
25 charge, the amount of which (z) shall be equal to the result obtained by  
26 multiplying (x) times (y), where (x) is the number of acre-feet of Central

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1 Arizona Project municipal and industrial water which would not have been  
2 delivered to the Company in that year (i) if the Company had been a non-Indian  
3 M&I subcontractor of the Central Arizona Project; (ii) if the Company's  
4 entitlement to Leased Settlement Water hereunder were, instead, an entitlement  
5 to Central Arizona Project municipal and industrial water; and (iii) if the  
6 Company, as a municipal and industrial subcontractor of the Central Arizona  
7 Project, had attempted to schedule for delivery in such year the same amount of  
8 water which the Company has scheduled for delivery during such year pursuant to  
9 this Agreement, and where (y) is the amount of the per acre-foot water service  
10 capital charge which a municipal and industrial water service subcontractor of  
11 the Central Arizona Project would pay for an acre-foot of Central Arizona Project  
12 municipal and industrial water delivered to the Maricopa Water District turnout  
13 on the Central Arizona Project Aqueduct in each year in which Leased Settlement  
14 Water is scheduled for delivery during a time of shortage. If the time of  
15 shortage exists for less than a year, the additional charge for the year shall  
16 be prorated for the portion of the year during which the time of shortage exists.  
17 The additional charge shall be payable each year during the time of shortage at  
18 the times and in the manner provided in Paragraph 8.D.(3) of this Agreement.  
19 Such additional charge, although measured by and equal to the per-acre-foot water  
20 service capital charge payable by a non-Indian municipal and industrial water  
21 subcontractor of the Central Arizona Project, shall not be considered to be such  
22 a capital charge either for purposes of this Agreement or for any other purpose  
23 and shall be the property of the Community as additional compensation to the  
24 Community for Leased Settlement Water which is scheduled for delivery during a  
25 time of shortage, as herein defined. In the event the time of shortage occurs  
26 subsequent to the payout of the Central Arizona Project, the additional charge

1 per acre-foot shall equal the per acre-foot water service capital charge payable  
2 by a non-Indian municipal and industrial water subcontractor of the Central  
3 Arizona Project for an acre-foot of municipal and industrial water delivered to  
4 the Maricopa Water District turnout on the Central Arizona Project Aqueduct on  
5 the first day of the year in which the payout of the Central Arizona Project  
6 occurs, adjusted in direct proportion to the percentage change in the CPI-U index  
7 which occurs between the index published closest to the date on which the payout  
8 of the Central Arizona Project occurs and the index published for the month in  
9 which the time of shortage begins. The additional charge shall be adjusted in  
10 the manner prescribed in the preceding sentence on each anniversary of the  
11 commencement of the time of shortage during which the time of shortage persists.  
12 In the event the CPI-U is not published at the time any adjustment is required  
13 to be made, the appropriate index shall be selected in the manner provided by  
14 Paragraph 5.A. For purposes of this Agreement, "time of shortage" does not have  
15 the meaning set forth in the 1984 Act or in the Settlement Agreement, and means,  
16 instead, any time or times in which the annual amount of water available for  
17 delivery to non-Indian municipal and industrial subcontractors of the Central  
18 Arizona Project is equal to an average of 79% or less of the subcontractual  
19 entitlements of such subcontractors and where the reduction is not caused by  
20 operational shut-downs of the Central Arizona Project, by Central Arizona Project  
21 system failure, or by other operating conditions. The above definition of  
22 shortage is only for the purpose of this Agreement and is not intended as a  
23 standard shortage criteria for either the Central Arizona Project or the  
24 management of the Colorado River.

25 E. No Other Charges. The Company shall not be obligated to pay  
26 Central Arizona Project water service capital charges, Central Arizona Project

1 operation, maintenance and replacement charges, or any charges or costs in the  
2 nature of such charges (hereinafter "Other Charges") for the delivery of Leased  
3 Settlement Water pursuant to this Agreement, and the charges set forth and  
4 required to be paid by this Paragraph 5 are the only charges which either the  
5 United States or the Community may impose upon the Company with respect to the  
6 delivery of Leased Settlement Water pursuant to this Agreement. In the event the  
7 United States fails or refuses to appropriate funds to pay the operation,  
8 maintenance and replacement charges which are associated with the Leased  
9 Settlement Water, the Company may pay Other Charges to the United States in order  
10 to assure the continuing delivery of Leased Settlement Water pursuant to this  
11 Agreement, and it may pay such Other Charges without being considered to be in  
12 default under this Agreement. The Company may set off the amount of Other  
13 Charges paid to the United States against the Water Use Charge payable to the  
14 Community pursuant to Paragraph 5.C by deducting from its payment of the Water  
15 Use Charge next coming due an amount equal to the amount of the Other Charges  
16 paid to the United States by the Company in that year. Such deduction and set  
17 off by the Company shall not be considered to be a breach of or default under  
18 this Agreement, and this Agreement shall continue in effect notwithstanding such  
19 deduction and set off. Nothing in this Paragraph 5.E shall be construed as  
20 affecting the Community's right to bring suit against the United States for  
21 breach of the 1984 Act, the Settlement Agreement, or of this Agreement, nor shall  
22 anything in this Agreement be construed as a limitation on the Company's right  
23 to bring suit against the United States for review of any action by the Secretary  
24 hereunder or for damages the Company may incur as a result of the United States'  
25 failure to appropriate funds to pay the operation, maintenance and replacement  
26 charges associated with the Leased Settlement Water or the Settlement Water. In

1 | the event the United States and the Community, at any time in the future, enter  
2 | into an agreement pursuant to which the United States' obligation to provide  
3 | Settlement Water for the Community at no cost to the Community is liquidated,  
4 | that portion of the liquidated amount which is necessary to fund the operation,  
5 | maintenance and replacement charges associated with the delivery of Leased  
6 | Settlement Water shall be reserved by the United States and the Community and  
7 | used exclusively for the purpose of funding and paying the operation, maintenance  
8 | and replacement charges which are associated with the delivery of Leased  
9 | Settlement Water pursuant to this Agreement.

10 |       6. Place of Use and Use of Water. The Company shall have the right to  
11 | use the Leased Settlement Water made available pursuant to this Agreement for any  
12 | purpose permitted by applicable law, including, without limitation, for direct  
13 | and indirect groundwater recharge and for exchanges. The Company may use Leased  
14 | Settlement Water at any place permitted by law north of the turnout from the main  
15 | aqueduct of the Central Arizona Project into the Santa Rosa Canal, excluding the  
16 | incorporated limits of the City of Scottsdale as of the Effective Date; provided,  
17 | however, that Leased Settlement Water may be used within the incorporated limits  
18 | of the City of Scottsdale ("Scottsdale") as of the Effective Date under either  
19 | of the following conditions: (i) the Subcontract among the United States, the  
20 | Central Arizona Water Conservation District, and the Town of Payson, subcontract  
21 | No. 2-07-30-W0281, is not transferred to Scottsdale and the entitlement thereof  
22 | is not included in the entitlement of Scottsdale under Central Arizona Project  
23 | water service subcontract No. 5-07-30-W0063 among the United States, CAWCD and  
24 | Scottsdale by January 1, 1995, in which event up to and including 4,995 acre-feet  
25 | of Leased Settlement Water may be used within the incorporated limits of the City  
26 | of Scottsdale; or (ii) the settlement of the water rights claims of the San

1 Carlos Apache Indian Tribe as authorized by the San Carlos Apache Indian Tribe  
2 Water Rights Settlement Act of 1992, Title XXXVII of Public Law 102-575 (October  
3 30, 1992), is not finalized by December 31, 1996, in which event up to and  
4 including 10,000 acre-feet of Leased Settlement Water may be used within the  
5 incorporated limits of Scottsdale. Leased Settlement Water may be used in any  
6 amount within areas that are added to the incorporated limits of Scottsdale  
7 subsequent to the Effective Date at any time or times during the period in which  
8 this Agreement is in effect.

9 7. Points and Rates of Delivery.

10 A. Points of Delivery. The Leased Settlement Water made available  
11 pursuant to this Agreement shall initially be delivered by the United States to  
12 diversion facilities to be constructed by the Company or the United States, at  
13 the Company's expense, in Lake Pleasant, and, subject to Paragraph 6 regarding  
14 place of use, shall be delivered by the United States to such other or additional  
15 point or points of delivery along the main Aqueduct of the Central Arizona  
16 Project as the Company may from time to time designate in the schedules which are  
17 submitted by the Company pursuant to Paragraph 8 of this Agreement. No Leased  
18 Settlement Water may be diverted from Lake Pleasant pursuant to this Agreement  
19 until the Company has submitted to the United States (Bureau of Reclamation)  
20 plans for the construction and operation of such diversion facilities and the  
21 United States has approved such plans. Nothing in this Agreement shall be  
22 construed as granting the Company the right to store water in Lake Pleasant.

23 B. Rates of Delivery. Leased Settlement Water made available to the  
24 Company pursuant to this Agreement shall be delivered to the Company at the  
25 delivery points and at such rates of delivery as the Company may specify;  
26 provided, however, that in no event shall the total of the rates of delivery to

1 all points of delivery designated by the Company exceed a rate in cubic feet per  
2 second which is determined by multiplying a fraction, the numerator of which  
3 shall be the number of acre-feet of Leased Settlement Water and the denominator  
4 of which shall be 75,000, times 300, and where the product so obtained is the  
5 maximum rate of delivery of Leased Settlement Water in cubic feet per second to  
6 which the Company is entitled to the aggregate of delivery points specified by  
7 the Company. The Company may allocate delivery rates among delivery points,  
8 provided that the sum of all delivery rates to all points of delivery shall not  
9 exceed the maximum rate of delivery determined in this Paragraph 7.B.

10 8. Scheduling.

11 A. On or before October 1 of the year in which the option is  
12 exercised or, if the option is exercised after October 1 but before December 31,  
13 then on or before October 1 of the subsequent year (except as otherwise provided  
14 in Paragraph 8.D.4 hereof), and October 1 of each year thereafter, the Company  
15 shall submit to the Community, with a copy to the United States, a written water  
16 delivery schedule setting forth the amounts of Leased Settlement Water needed by  
17 the Company during each month of the following year, along with a preliminary  
18 estimate of water needed for the succeeding two years. The notice shall specify  
19 the points of delivery to which Leased Settlement Water is to be delivered and  
20 may specify the maximum rate in cubic feet per second at which Leased Settlement  
21 Water is to be delivered at each point of delivery. The Community shall include  
22 the Company's schedule in the annual schedule of deliveries which the Community  
23 submits to the Secretary.

24 B. Upon receipt of the schedule, the Secretary shall review it, and  
25 after consultation with the Community and the Company, shall make only such  
26 modifications in the schedule as are necessary to ensure that deliveries of

1 | Leased Settlement Water will be consistent with this Agreement and with the  
2 | Settlement Agreement. All modifications shall be made on or before December 1  
3 | of the year in which the water delivery schedule is submitted. The Community and  
4 | the Company shall be apprised by the United States of all modifications and of  
5 | the final schedule.

6 |           C. The schedule may be amended by the Secretary upon written request  
7 | by the Community and the Company. Proposed amendments shall be subject to review  
8 | and modification by the Secretary within a reasonable time before the needed  
9 | change is to become effective, and in like manner as the schedule itself.

10 |           D. The Company shall pay the Water Use Charge as follows:

11 |           (1) The Company shall submit with the schedule required by  
12 | Paragraph 8.A a partial payment of the Water Use Charge for the succeeding year  
13 | which is equal to one twelfth (1/12) of the total Water Use Charge payable in the  
14 | year for which Leased Settlement Water is scheduled for delivery. The remaining  
15 | eleven-twelfths (11/12ths) of the Water Use Charge for the year in which Leased  
16 | Settlement Water is scheduled for delivery shall be paid in 11 equal monthly  
17 | installments, the first of which installments shall be due and payable on January  
18 | 5 of the year for which water is scheduled for delivery and the balance of which  
19 | shall be due and payable on the fifth day of each month thereafter until the  
20 | Water Use Charge for the year for which the schedule was submitted is paid in  
21 | full.

22 |           (2) The Water Use Charge shall be paid in the manner provided for  
23 | in Paragraph 8.D.(1) notwithstanding the Secretary's adjustment of the schedule,  
24 | unless the schedule is adjusted to result in a decrease in the total amount of  
25 | water to be delivered during the year for which the schedule is submitted, in  
26 | which event the Water Use Charge shall be adjusted to reflect lower prospective

1 deliveries of water. Nothing in this subparagraph 8.D.(2) shall be construed as  
2 authorizing the Secretary to deliver less than the full amount of Leased  
3 Settlement Water to which the Company is entitled under this Agreement unless  
4 otherwise agreed by the Secretary, the Community, and the Company.

5 (3) In the event an additional charge is due in a year pursuant  
6 to Paragraph 5.D with respect to Leased Settlement Water scheduled by the Company  
7 for delivery during a time of shortage, the payments due in the year shall be  
8 adjusted by the amount of the additional charge for the year, as determined in  
9 Paragraph 5.D, and the amount of the additional charge shall be prorated equally  
10 over the remaining months of the year for which the Water Lease Charge is  
11 payable, and the additional charge, as pro-rated, shall be due and payable at the  
12 same time or times as the Water Use Charge is payable pursuant to subparagraph  
13 (1) of this Paragraph 8.D.

14 (4) Nothing in this Paragraph 8 shall be construed to prohibit  
15 the United States, in the first year in which the Company requires the delivery  
16 of the Leased Settlement Water, from deviating from the dates by which a schedule  
17 must be submitted in order to accelerate the time by which the Company may begin  
18 to take delivery of Leased Settlement Water.

19 (5) The Company shall incur no liability for failing to submit  
20 a delivery schedule for a particular year, other than as is provided in Paragraph  
21 5.C regarding minimum use. By failing to submit a schedule, the Company shall not  
22 be entitled to the delivery of Leased Settlement Water during the year for which  
23 the schedule was to have been submitted but was not submitted, unless otherwise  
24 agreed by the Community and the Secretary.

25 9. Metering. All Leased Settlement Water delivered to delivery points  
26 designated by the Company shall be measured with equipment furnished by the

1 forfeiture of the Company's security under such encumbrance, as a condition of  
2 the right to foreclose, to be bound by all of the terms and conditions of this  
3 Agreement. The Community's consent is hereby given to such encumbrance or  
4 encumbrances. The encumbrance shall be approved or disapproved by the Secretary  
5 or his designee within seven (7) working days. If the encumbrance has not been  
6 disapproved by the end of seven (7) working days, the encumbrance shall be deemed  
7 to have been approved. Approval of the encumbrance shall be based on the  
8 requirement in the encumbrance that the holder of the encumbrance or its  
9 successor, as a condition of the right to foreclose the encumbrance, be bound by  
10 all of the terms and conditions of this Agreement and on the financial capability  
11 of the holder of the encumbrance to assume and honor the the terms and conditions  
12 of this Agreement. For purposes of this Paragraph 10, the term "encumbrance"  
13 shall mean any mortgage, indenture, deed of trust, security agreement, pledge,  
14 subdivision trust or any other arrangement in which this Agreement, or the  
15 Company's rights under this Agreement, are taken as security for any obligation  
16 of the Company to the holder of the encumbrance. For purposes of this  
17 subparagraph B., the Secretary's designee shall be the Area Director of the  
18 Phoenix Area Office of the Bureau of Indian Affairs or his designee.

19 C. The Company may assign its rights and obligations under this  
20 Agreement in whole or in part with the written approval and consent of the  
21 Secretary and the Community, which approval and consent shall not be unreasonably  
22 withheld, and which consent shall be based upon the assignee's or assignees'  
23 financial capability of assuming and honoring the Company's obligations under  
24 this Agreement. In any assignment to any of the Cities of Phoenix, Glendale,  
25 Peoria, Mesa, Tempe, Chandler, Scottsdale (subject to the conditions specified  
26 in Paragraph 6), or any other Town or City located north of the turnout from the

1 main aqueduct of the Central Arizona Project into the Santa Rosa Canal to whom  
2 an assignment is proposed to be made shall be considered to be financially  
3 capable of assuming and honoring the Company's obligations under the Agreement  
4 if, at the time of the proposed assignment, the proposed assignee's or assignees'  
5 financial rating shall be at least a "BBB" rating by Standard & Poor's  
6 Corporation (or the equivalent of such a rating if the method of rating is  
7 changed) or a "Baa" rating from Moody's Investors Services (or the equivalent of  
8 such a rating if the method of rating is changed.) With respect to any  
9 assignment to Citizens Utilities Company ("Citizens Utilities"), or other utility  
10 company or companies, Citizens Utilities or the utility company or companies  
11 shall be considered to be financially capable if, at the time of the proposed  
12 assignment, its (their) financial rating is at least a "BBB" rating by Standard  
13 & Poor's Corporation (or the equivalent of such a rating if the method of rating  
14 is changed) or a "Baa" rating from Moody's Investors Service (or the equivalent  
15 of such a rating if the method of rating is changed.) If the financial rating  
16 of any of the entities enumerated in this Paragraph to which the Company proposes  
17 to make an assignment does not satisfy the criteria set forth in this Paragraph  
18 10.C, the entity may nevertheless be shown to be financially capable by any other  
19 standard, but shall not be entitled to any presumption of financial capability.  
20 Nothing in this Paragraph shall be construed to prohibit assignments to entities  
21 other than the entities enumerated in this Paragraph 10.C, and the financial  
22 capability of any such other entity or entities shall be demonstrated at the time  
23 approval of the assignment is requested by the Company. Subsequent to an  
24 assignment, the Company shall be relieved of all further obligations with respect  
25 to that portion of the Leased Settlement Water which is assigned, to the extent  
26 of the assignment, unless otherwise provided in the instrument of assignment.



1 Agreement, notwithstanding the Company's physical use of such Leased Settlement  
2 Water in accordance with the terms of this Agreement.

3 C. The Leased Settlement Water leased and delivered to the Company  
4 pursuant to this Agreement shall be considered to have been used by the Community  
5 for purposes of the Community's rights under paragraph 8 of the Settlement  
6 Agreement.

7 D. The Community shall be entitled to schedule for delivery and to  
8 use any of the Leased Settlement Water which is not scheduled for delivery by the  
9 Company; provided, however, that in the event of any conflict between a schedule  
10 submitted by the Company and a schedule submitted by the Community for the use  
11 of Leased Settlement Water, the schedule submitted by the Company shall take  
12 precedence.

13 E. The Secretary, by execution of this Agreement, approves, endorses  
14 and consents to and ratifies this Agreement, and the Community, by executing this  
15 Agreement, approves, accepts, consents to and ratifies this Agreement.

16 13. Default and Remedies.

17 A. Any of the following occurrences, conditions, or acts shall  
18 constitute an "Event of Default" under this Agreement:

19 (a) if the Company or its sublessees shall

20 (i) default in making payment when due of any Water Lease  
21 Charges or Water Use Charges,

22 (ii) default in the observance or performance of any other  
23 provisions of this Agreement, and if such default shall continue (A) as to clause  
24 (i) above, for 30 days after the Community shall have given written notice to the  
25 Company, or, in the case of a sublessee, to the Company and its sublessee,  
26 specifying such default and demanding that same be cured, or (B) as to clause

1 (ii) above, for 60 days after the Community shall have given written notice to  
2 the Company, or, in the case of a sublessee, to the Company and its sublessee,  
3 specifying such default and demanding that the same be cured (unless such default  
4 cannot be cured by the payment of money and cannot within due diligence be wholly  
5 cured within such period of 60 days, in which case the Company or its sublessees  
6 shall have such longer period as shall be necessary to cure the default, so long  
7 as the Company or its sublessees begins promptly to cure the same within such 60-  
8 day period, prosecutes the cure to completion with due diligence, and advises  
9 from time to time, upon the Community's request, of the actions which the Company  
10 or its sublessees is taking and the progress being made); or

11 (b) if the Company or its sublessees shall file a petition in  
12 bankruptcy or for reorganization or for an arrangement pursuant to the Bankruptcy  
13 law or under any similar federal or state law, or shall be adjudicated a bankrupt  
14 or become insolvent, or shall be unable to meet the Company or its sublessees'  
15 obligations as they become due, or shall take any corporate action in furtherance  
16 of any of the foregoing; or

17 (c) if a petition or answer shall be filed proposing the  
18 adjudication of the Company or its sublessees, if, as a bankrupt or the  
19 reorganization of the Company or its sublessees pursuant to the Bankruptcy law  
20 or any similar federal or state law, and (i) the Company or its sublessees shall  
21 consent to the filing thereof, or (ii) such petition or answer shall not be  
22 discharged or denied within 60 days after the filing thereof; or

23 (d) if a receiver, trustee, or liquidator (or other similar  
24 official) of the Company or its sublessees, or of all or substantially all of its  
25 respective businesses or assets or of the interest of the Company or its  
26 sublessees, in the Leased Settlement Water shall be appointed and shall not be

1 discharged within 60 days thereafter or if the Company or its sublessees shall  
2 consent to or acquiesce in such appointment; or

3 (e) if the estate or interest of the Company or its sublessees  
4 in the Leased Settlement Water shall be levied upon or attached in any proceeding  
5 and such process shall not be vacated or discharged within 60 days after such  
6 levy or attachment, unless such levy or attachment is contested;

7 (f) notwithstanding the provisions of subparagraphs (b), (c),  
8 (d), and (e) hereof, if at any time during the term hereof, proceedings in  
9 bankruptcy, insolvency or other similar proceedings be instituted by or against  
10 the Company or its sublessees, whether or not such proceedings result in an  
11 adjudication against the Company or its sublessees, or should a receiver of the  
12 business or assets of the Company or its sublessees be appointed, such  
13 proceedings or adjudications shall not affect the validity of this Agreement so  
14 long as any unpaid Water Lease Charges and Water Use Charges hereunder continue  
15 to be paid to Community and the other covenants and conditions of this Agreement  
16 on the part of the Company or its sublessees to be performed, are performed, and  
17 in such event this Agreement shall continue to remain in full force in accordance  
18 with the terms herein contained.

19 B. The Company, the Community, and the Secretary shall attempt to  
20 resolve any disputes which arise under this Agreement, including a default or  
21 breach of this Agreement, by negotiation among themselves. To the extent that  
22 such negotiations do not result in the resolution of the dispute or the curing  
23 of the default or breach, the procedures set forth in 25 CFR Part 162.14, as  
24 amended from time to time, shall apply and the parties shall have the right to  
25 appeal any determination made pursuant to 25 CFR Part 162.14 as provided in 25  
26 CFR Part 2, as amended from time to time, and may appeal any final determination

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1 of the Secretary pursuant to 5 U.S.C. §701 et seq., as amended from time to time,  
2 and as otherwise provided by law. No decision of the Secretary to terminate this  
3 Agreement shall be implemented until all possibilities of further administrative  
4 appeal have been exhausted by the Company; and, for the reason that Leased  
5 Settlement Water will be needed for the welfare and livelihood of the residents  
6 of the communities to which it is being delivered, no action shall be taken by  
7 the Secretary to suspend the delivery of Leased Settlement Water pursuant to this  
8 Agreement during the pendency of any administrative appeal.

9       14. Effect of Invalidity. In the event the Company's entitlement to the  
10 delivery of Leased Settlement Water under this Agreement is determined to be  
11 invalid by a final judgment entered by a court of competent jurisdiction over the  
12 objections of the Company with the result that the Community reacquires the right  
13 to receive delivery of the Leased Settlement Water, then the Community shall  
14 refund to the Company the portion of the Water Lease Charges paid pursuant to  
15 Paragraph 5.A of this Agreement that the number of years remaining in the lease  
16 term at the time of such final determination bears to 100, together with interest  
17 therein at the rate(s) specified in Paragraph 5.A of this Agreement. Nothing in  
18 this Paragraph 14 shall be construed as a limitation on the Company's right to  
19 damages from the United States by virtue of any breach of this Agreement by the  
20 United States or the Community.

21       15. NEPA Compliance. Notwithstanding any other provision of this  
22 Agreement, Leased Settlement Water shall not be delivered to the Company unless  
23 and until the Company has obtained final environmental clearance from the United  
24 States. Final environmental clearance will be based upon an analysis of the  
25 environmental impacts of the Company's plans for taking and using Leased  
26 Settlement Water, in accordance with the National Environmental Policy Act of

1 1969 (83 Stat. 852) and other applicable environmental legislation. Any  
2 action(s) required on behalf of the Company in order to obtain final  
3 environmental clearance from the United States will be identified to the Company  
4 by the United States, and no Leased Settlement Water shall be delivered to the  
5 Company unless and until the Company has completed all such action(s) to the  
6 satisfaction of the United States. The cost of all such action(s), including the  
7 cost of review and oversight by the United States, shall be borne by the Company  
8 at no cost to the United States. The above requirements shall also apply to any  
9 new points of diversion of Leased Settlement Water proposed by the Company.

10 16. Counterparts, Notice, Etc.

11 A. This Agreement may be executed in multiple counterparts, each of  
12 which shall be considered to be an original.

13 B. Any notice to be given or payment to be made hereunder shall have  
14 been given or paid or when deposited in the United States mail in an Arizona post  
15 office, certified or registered, postage prepaid, addressed as follows:

16 As to the United States:

Secretary of the Interior  
Department of the Interior  
1849 C Street, NW  
Washington, D.C. 20240

18 Area Director  
19 Phoenix Area Office  
20 Bureau of Indian Affairs  
P.O. Box 10  
Phoenix, Arizona 85001

21 Regional Director  
22 Bureau of Reclamation  
23 Lower Colorado Region  
P.O. Box 61470-1470  
Boulder City, Nevada 89006

24 As to the Community:

25 Ak-Chin Indian Community Council  
42507 West Peters & Nall Road  
Maricopa, Arizona 85239  
26 Attention: Chairman

1 As to the Company:

Del Webb Corporation  
6001 North 24th Street  
P. O. Box 29040  
Phoenix, Arizona 85038  
Attn: Chief Executive Officer

2  
3  
4 or addressed to such other address as the party to receive such notice or payment  
5 shall have designated in a written notice given as required by this Paragraph 17.  
6

7 C. No member of Congress or Resident Commissioner shall be admitted  
8 to any share or part of this Agreement or to any benefit to arise herefrom. This  
9 restriction shall not be construed to extend to this Agreement if made with a  
10 corporation or a company for its general benefit.

11 D. If any part of this Agreement is not enforceable, the rest of the  
12 Agreement may be enforced. Any waiver under this Agreement shall be in writing.

13 E. This Agreement shall inure to the benefit of and be binding upon  
14 the successors of the parties hereto.

15 IN WITNESS WHEREOF, the parties have executed this Agreement as of the  
16 date written above.

17  
18 By Walter Hill  
Bureau of Indian Affairs Area Director  
19 Date: 12-14-94

THE UNITED STATES OF AMERICA  
By Robert J. Schmitt  
Bureau of Reclamation  
Date: 12-14-94

20 AK-CHIN INDIAN COMMUNITY  
By: Mike Antone  
its Chairman  
Date: 12-14-94

21  
22  
23 DEL WEBB CORPORATION, an  
Arizona corporation  
By: J. B. Lawson  
its Sec. V.P.  
Date: 12-14-94

Receipt of the payment by the Company of the sum of \$300,000 to the Community is hereby acknowledged.

AK-CHIN INDIAN COMMUNITY

By: [Signature]  
Its Chairman  
Date: 12-15-94

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EXHIBIT 'A'

1000-100-0001

EXHIBIT "A" TO  
OPTION AND LEASE AGREEMENT  
AMONG  
THE AK-CHIN INDIAN COMMUNITY  
THE UNITED STATES OF AMERICA  
AND  
DEL WEBB CORPORATION

EXHIBIT "A"

NOTICE OF EXERCISE OF OPTION

Del Webb Corporation (the "Company") notifies the Ak-Chin Indian Community (the "Community") and the United States of America (the "United States") that it hereby exercises the option granted to the Company in that Agreement between the Company, the Community, and the United States dated \_\_\_\_\_, 1994, of which this Exhibit "A" is a part, to lease from the Community \_\_\_\_\_ acre-feet per annum of the Settlement Water described in the Agreement, for a period of 100 years beginning on the date of this Notice.

The Company's calculations show that the amount of the Water Lease Charges to be paid by the Company to the Community pursuant to Paragraph 5.A of the Agreement is \$ \_\_\_\_\_, payable as provided in the Agreement. The calculations by which the total amount of the Water Lease Charges was determined are attached to this Notice.

Originals of this Notice are being mailed on the date below in accordance with Paragraph 15.B of the Agreement to the addresses and parties identified in that Paragraph.

This Notice is dated this \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_.

DEL WEBB CORPORATION, an  
Arizona corporation

By \_\_\_\_\_  
Its \_\_\_\_\_

4000-100-508

EXHIBIT "B"

1000-100-000

EXHIBIT "B" TO  
OPTION AND LEASE AGREEMENT  
AMONG  
THE AK-CHIN INDIAN COMMUNITY  
THE UNITED STATES OF AMERICA  
AND  
DEL WEBB CORPORATION

EXHIBIT "B"

This Exhibit "B" sets forth sample calculations by which the Water Lease Charges would be adjusted and then calculated under the Agreement, assuming:

- (1) That the option is exercised July 31, 1995, for 10,000 acre-feet of water;
- (2) That the CPI-U index published closest to December 31, 1994, is 144.0; and
- (3) That the CPI-U index published closest to July 31, 1995, is 146.9.

<u>Calculation:</u>	$\frac{146.9}{144.0}$	= 1.02
	$1.02 \times 100$	= 102
	$102 - 100$	= 2% change
	$1.02 \times \$1,203/\text{AF}$	= \$1,227.06/AF
	$\$1,227.06 \times 10,000/\text{AF}$	= \$12,270,600
	Total Water Lease Charges	= \$12,270,600

EXHIBIT H

WATER/WASTEWATER PURCHASE AGREEMENT

WOOD - HOD - 605

## WATER/WASTEWATER PURCHASE AGREEMENT

THIS WATER/WASTEWATER PURCHASE AGREEMENT dated as of September 29, 1997, between CITIZENS WATER RESOURCES COMPANY OF ARIZONA, an Arizona corporation ("TreatCo"), and CITIZENS WATER SERVICES COMPANY OF ARIZONA, an Arizona corporation ("DistCo") (collectively, "Parties").

### RECITALS:

A. Together with certain other persons, TreatCo and DistCo are parties to the Agreement for The Villages at Desert Hills Water/Wastewater Infrastructure dated as of September 29, 1997 (the "Webb/Citizens Agreement").

B. Section 5.1 of the Webb/Citizens Agreement obligates TreatCo and DistCo to enter into a written agreement regarding (a) the transfer by TreatCo to DistCo of Potable Water for resale for the purpose of DistCo's providing DistCo Services in the Project, and (b) the transfer by DistCo to TreatCo of wastewater derived within the Project for treatment and disposal or reuse.

C. An additional purpose of this Agreement is to enable the Parties to fulfill their respective obligations under the Webb/Citizens Agreement.

AGREEMENT:

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I  
DEFINITIONS

1.1 Definitions. Capitalized terms that are not defined in this Agreement have the meanings set forth in the Webb/Citizens Agreement, unless the context otherwise requires.

ARTICLE II  
POTABLE WATER

2.1 Transfer of Potable Water. During the term of this Agreement, TreatCo will transfer to DistCo Potable Water for resale for the purpose of enabling DistCo to provide DistCo Services in accordance with the Webb/Citizens Agreement and in quantities sufficient to meet the demands of DistCo's customers. The Potable Water will at all times meet or exceed the drinking water standards and requirements established pursuant to any applicable law or as required by any regulatory body having jurisdiction over DistCo or TreatCo in effect now or as may hereafter be established.

2.2 Payment. In consideration for the Potable Water transferred under this Agreement, DistCo will pay TreatCo on the

first day of each month an amount determined in accordance with rates approved by the Commission. TreatCo's rates will not exceed the rates set forth in Section 4.5 for the three-year period beginning on the date DistCo first supplies water to a residential customer.

### ARTICLE III

#### WASTEWATER

3.1 Transfer of Wastewater. During the term of this Agreement, DistCo will transfer to TreatCo for treatment and disposal, sale, recharge or reuse all wastewater in accordance with the Webb/Citizens Agreement, which wastewater (including any water or other things in, comprising or derived from the wastewater) will become the sole property of TreatCo.

3.2 Payment. In consideration for the wastewater transferred under this Agreement, DistCo shall pay TreatCo on the first day of each month an amount determined in accordance with rates approved by the Commission. TreatCo's rates will not exceed the rates set forth in Section 4.5 for the three-year period beginning on the date DistCo first supplies water to a residential customer.

ARTICLE IV  
TREATCO RISK COMPENSATION

4.1 Premise: TreatCo's Riskiness. TreatCo's willingness to participate in this Agreement is premised upon its ability to be compensated for the substantially higher risk to which it is exposed, compared to a traditional regulated utility provider. TreatCo's risk arises from at least five sources:

a. Project Funding. Through funds provided by its corporate parent, Citizens Utilities Company, TreatCo is funding up to \$24,000,000 of Phase 2 Facilities, Backbone Facilities, Subsequent Facilities and related costs (initial CAP water delivery pipeline, drinking water treatment facilities and wastewater treatment facilities).

b. Three-Year Rate Moratorium. TreatCo and DistCo guarantee that they will not return to the Commission for rate relief during the first three years rates are in effect.

c. Five-Year Rate of Return Cap. TreatCo is guaranteeing to DistCo, and DistCo is also guaranteeing to its customers, that rates of return will be capped for five years after service commences, subject to refund if rates of return exceed the levels set forth in this section.

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d. Long-Term Rate Cap. TreatCo is also guaranteeing that rates will not exceed specified levels over the term of Project construction (until Build-Out), regardless of how slowly customers are actually added. This insulates DistCo's customers from the risk of bearing the cost of infrastructure additions that are prudently required to serve future customers, even if load growth expectations are not met.

e. Deferred Depreciation Method. Finally, to keep initial utility rates low, TreatCo is using a deferred method based upon customer additions to calculate depreciation expense on facilities built to transport, treat and deliver water and to collect and treat wastewater. This further reduces the risk to current customers, if load growth expectations are not met.

Citizens' and TreatCo's \$12,100,000 funding is covered in the Wecc/Citizens Agreement. The Three-Year Rate Moratorium, the Five-Year Rate Refund Guarantee, the Long-Term Rate Cap, and the Deferred Depreciation Method are discussed in Sections 4.3, 4.4, 4.5 and 4.6, below, respectively.

4.2 Appropriate Rate-of-Return Levels. In recognition of the significant additional risk to TreatCo's ability to earn a return on and of its investment to serve the Project, and of TreatCo's guarantee of certain rate levels to DistCo for providing Potable Water and wastewater treatment services, TreatCo should be

provided with the opportunity to earn a greater overall rate of return on original cost rate base ("ROR") than would be afforded a traditional water utility. This return is approximately 350 basis points above the market-based ROR the Commission currently uses to establish rates for Arizona water/wastewater companies, such as DistCo will be. For example, if the Commission, in a general rate case, determines that the ROR for DistCo should be 10.00%, TreatCo would be provided the opportunity to earn a ROR of 13.50%.

4.3 Three-Year Rate Moratorium. TreatCo and DistCo guarantee that they will not apply for a change in rates to be effective during the three-year period beginning on the date DistCo first supplies water to a residential customer.

4.4 Five-Year Rate Refund Guarantee. DistCo and TreatCo will, subject to the conditions in this Section, refund to DistCo's customers amounts that would yield to DistCo and TreatCo rates of return in excess of (i) the ROR used to establish the initial rates for the water and wastewater service to DistCo customers (10.00%); and (ii) the ROR used to establish the initial rates for the charges for treated water and wastewater treatment from TreatCo and DistCo, the capacity reservation charge made by TreatCo to Builders and the Refunds made by TreatCo to Citizens and Developer (13.50%).

a. Application. DistCo and TreatCo will file an application requesting that the Commission issue a certificate of

convenience and necessity ("CCN") and establish initial rates for the provision of utility service to DistCo customers and to TreatCo for charges to DistCo. As part of that application, DistCo's initial rates will be designated to provide DistCo the opportunity to earn a ROR of 10.00% and TreatCo's initial rates will be designated to provide TreatCo the opportunity to earn a ROR of 13.50%.

b. Limitation on Earnings During Initial Rate Period. If the Commission authorizes the use of the 10.00% ROR for DistCo and the 13.50% ROR for TreatCo, these RORs will limit the earnings potential for DistCo and TreatCo respectively, for the period that the initial rates are in effect. For example, if (1) the initial rates approved by the Commission become effective with the connection of the first customer currently estimated to be in the beginning of 1999, and (2) the Commission review of those initial rates is conducted in 2004 using a test-year of 2003, then the combined ROR for the five years 1999 through 2003, will not exceed an annualized ROR of 10.00% for DistCo and 13.50% ROR for TreatCo. This determination will be made by applying the determinations of the Commission in the 2003 test-year rate case to each of the five years covered by the initial rate period and by DistCo and TreatCo each making a filing within 180 days after the Commission's final order. Any earnings of DistCo and TreatCo in excess of the 10.00% and the 13.50%, respectively, will be refunded to DistCo customers upon review and approval by the Commission.

406-001-0001

c. Shortfall in Earnings. DistCo and TreatCo will not be entitled to recover any additional earning amounts during this period. For example, if the earned ROR for DistCo or TreatCo falls short of the 10.00% and 13.50%, respectively, neither DistCo nor TreatCo shall be allowed to recover any shortfall from DistCo customers.

4.5 Long-Term Rate Cap. After expiration of the three-year rate moratorium set forth in Section 4.3(b), TreatCo guarantees that the charge to DistCo for the delivery of Potable Water and for the treatment of wastewater will not exceed the amounts shown below for the indicated years as long as all of the criteria delineated in this subsection have occurred and are in place in the future ("M" = 1,000):

Through December 31, 2013	\$4.64 per M gallon of water sold
January 1, 2014 through December 31, 2014	\$5.11 per M gallon of water sold
January 1, 2015 through December 31, 2015	\$5.64 per M gallon of water sold and
December 31, 2015 through Build-Out	\$5.56 per M gallon of water sold

TreatCo agrees to these caps on the following conditions:

a. Annual inflation (based on the Consumer Price Index for the first year that rates for DistCo are in effect) does not exceed an average of 3.00% per year;

b. The Commission provides rates for DistCo that provide DistCo the opportunity to recover the treatment costs for

Potable Water and wastewater treatment charged by TreatCo under this agreement, other reasonable operating costs, depreciation expense, income and property tax expenses and a fair and reasonable ROR; and

c. The Commission allows charges by TreatCo for treatment services, capacity reservation charges and refunds and does not otherwise limit the ability of TreatCo to earn a ROR that is approximately 350 basis points above the market-based ROR found reasonable for DistCo.

d. If the CPI as determined in Section 4.5 (a) above, exceeds an average of 3.00% per year for the period of treatment charges from TreatCo to DistCo described in Section 4.3 (b), the long-term rate caps set forth in this Section 4.5 will increase by the difference between the actual average of the CPI for the period and 3.00% times the rate in Section 4.3 (a) per year. For example, if the average CPI for the period January 1, 2004, through December 31, 2008 is 4.0%, the maximum amount of the treatment charges for water and wastewater treatment will increase from the \$6.68 beginning on December 31, 2003 to \$7.02 per M gallon of water sold  $(4.00\% - 3.00\% = 1.00\% \times 5 \text{ years} = 5.00\% = \$0.34 \text{ per M gallon} - \$6.68 \text{ per M gallon} = \$7.02 \text{ per M gallon})$ . Subsequent limitations will be adjusted accordingly.



<u>Year</u>	<u>Average ERUs</u>
2011	9,561
2012	10,358
2013	11,155
2014	11,950
2015	12,350
2016	12,350

#### ARTICLE V

##### TERM

5.1 Term. The term of this Agreement is for an initial period of 50 years from the date hereof. Thereafter, the term will be automatically renewed for successive 50-year periods, provided that DistCo will not have given notice of termination of this Agreement at least 180 days before the end of the initial term or any renewal term. Notwithstanding the foregoing, if Webb terminates the Webb/Citizens Agreement under Section 14.23 of that Agreement, this Agreement will also terminate at the same time that the Webb Citizens Agreement terminates.

#### ARTICLE VI

##### CAPACITY RESERVATION CHARGE

6.1 Confirmation of Payment of Capacity Reservation Charge. DistCo will obtain written verification from TreatCo that

the applicable Capacity Reservation Charge has been paid by a Builder to TreatCo before DistCo proceeds to make a connection.

## ARTICLE VII

### GENERAL PROVISIONS

7.1 Force Majeure. No Party will be liable to another Party for failure, default or delay in performing any of its obligations under this Agreement, other than for the payment of money obligations specified in this Agreement, if such failure, default or delay is the result of any cause or event not within the control of the Party affected and which, by the exercise or reasonable diligence, such Party is unable to prevent or mitigate (such a cause or event being "Force Majeure"). Force Majeure does not include changes in local, state, national or international general economic conditions. The Party's failure, default or delay in performance will be excused only for as long as such cause or event is present. If any of the foregoing occur, the Parties will proceed with diligence to do what is reasonable and necessary so that each Party may perform its obligations under this Agreement. The Parties will not in any event incur any liability to one another for consequential or any other damages which may result from delays in initiating service, or from interruptions in or other malfunctions of service, based upon the foregoing circumstances.

509-001-0003

7.2 Assignment. This Agreement may be assigned by a Party to a parent corporation of which it is a wholly-owned subsidiary, or to a wholly-owned subsidiary of the parent, or to a wholly-owned subsidiary of a wholly-owned subsidiary of the parent or another entity wherein a Party has a controlling interest, provided that the Party making such assignment will be a guarantor of the full and faithful performance of this Agreement by the assignee and executes documents to that effect as may reasonably be required by counsel for the other Parties. This Agreement will not be otherwise assignable by a Party without the consent in advance of the other Party to such assignment.

7.3 Notices. Except as otherwise specified in this Agreement, any notice, demand, request or other communication required or authorized by this Agreement to be given in writing to a Party must be either (a) personally delivered, (b) mailed by registered or certified mail (return receipt requested), postage prepaid, (c) sent by overnight express carrier, or (d) sent by telecopy, in each case at the following address:

To TreatCo addressed as follows:

Citizens Water Resources  
Company of Arizona  
15526 N. Del Webb Boulevard  
P.O. Box 1687  
Sun City, Arizona 85372

with a copy to:

Craig A. Marks  
Associate General Counsel  
Citizens Utilities Company  
2901 North Central Avenue  
Phoenix, Arizona 85004

and with a further copy to:

Gallagher & Kennedy, P.A.  
Attn: Terence W. Thompson, Esq.  
2600 North Central Avenue  
Phoenix, Arizona 85004

or to such other address as TreatCo may advise DistCo in writing,  
and to DistCo addressed as follows:

Citizens Water Services Company  
of Arizona  
15626 N. Del Webb Boulevard  
P.O. Box 1587  
Sun City, Arizona 85372

with a copy to:

Craig A. Marks  
Associate General Counsel  
Citizens Utilities Company  
2901 North Central Avenue  
Phoenix, Arizona 85004

and with a further copy to:

Gallagher & Kennedy, P.A.  
Attn: Terence W. Thompson, Esq.  
2600 North Central Avenue  
Phoenix, Arizona 85004

or to such other address as one Party may advise the other Party in  
writing. The designation of such person and/or address may be

changed at any time by either Party upon written notice given under this Section. All notices, demands, requests or other communications sent pursuant to this Section will be deemed received: (i) if personally delivered, on the Business Day of delivery; (ii) if sent by telecopy before 2:00 p.m. Phoenix time, on the day sent if a Business Day or, if such day is not a Business Day or if sent after 2:00 p.m. Phoenix time, on the next Business Day; (iii) if sent by overnight express carrier, on the next Business Day immediately following the day sent, or (iv) if sent by registered or certified mail, on the earlier of the third Business Day after the day sent or when actually received. Any notice by telecopy will be followed by delivery on the next Business Day by overnight express carrier or by hand.

7.4 Entire Agreement. This Agreement (including all attachments) together with the West Citizens Agreement constitutes the entire understanding between the Parties with respect to the subject matter hereof, supersedes any and all previous understandings between the Parties (including any letter of intent) with respect to the subject matter hereof, and binds and inures to the benefit of the Parties, their successors and assigns. None of the Parties has entered into this Agreement in reliance upon any oral or written representation or information provided by any other Party.

7.5 Further Assurances. If a Party determines in its reasonable discretion that any further instruments, assurances or other things are necessary or desirable to carry out the terms of this Agreement, the other Parties will execute and deliver all instruments and assurances and do all things reasonably necessary or desirable to carry out the terms of this Agreement, including using their best efforts to negotiate and enter into any agreements that may become necessary and appropriate.

7.6 Severability. If any provision of this Agreement or its application to any person, entity or circumstance is declared invalid or unenforceable, the remainder of this Agreement and its applications will not be affected, and each term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law.

7.7 No Waiver. The failure of a Party to enforce at any time any of the provisions of this Agreement, or to require at any time performance by the other Party of any of its provisions is not to be construed as a waiver of such provisions, nor in any way to affect the validity of this Agreement or its part, or the right of such Party to enforce any provision.

7.8 Modification or Waiver. A modification or waiver of all or any part of this Agreement is not valid unless it is reduced to a written agreement signed by the Party to be charged.

406-001-0003

7.9 Governing Law and Interpretation. The laws of the State of Arizona govern the interpretation and performance of this Agreement. Time is of the essence with respect to all provisions of this Agreement. Nothing in this Agreement supersedes any provision of the Webb Citizens Agreement. If any inconsistency between the Webb/Citizens Agreement and this Agreement exists, the Webb/Citizens Agreement governs the matter.

7.10 Counterparts. This Agreement may be executed in several counterparts.

7.11 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third person to any party to this Agreement. This Agreement does not create any duty, liability or standard of care to any person not a party to this Agreement.

7.12 Confidential and Proprietary Information. Any information provided by one Party to the other that is conspicuously labeled "CONFIDENTIAL AND PROPRIETARY", or any matter derived from such information, may not be disclosed by the receiving Party to any third party, except: (i) with the providing Party's consent, not to be unreasonably withheld, and (ii) pursuant

to a court order or a regulatory authority order obtained after the receiving Party has used reasonable efforts to obtain an order of the court protecting the confidentiality of the information and/or restricting its dissemination. If a Party that receives confidential information becomes aware of any attempt by any third party or court to obtain any confidential information, the Party will, as soon as practicable thereafter, notify the Party that labeled the information as confidential of the attempt to obtain the information. Upon request of the providing Party, the information must be promptly returned.

7.13 Regulatory Approvals. This Agreement is subject to approval by the Commission, to approval of the initial rates for service and the Tariff for Water Service and the Tariff for Wastewater Service, and the granting of an appropriate Certificate of Convenience and Necessity to provide water and wastewater utility services to the Project. The Parties will use their joint best efforts to obtain, as soon as practicable, a final non-appealable order from the Commission that contains no material terms and conditions that are unacceptable to any Party, in the Party's reasonable discretion.

7.14 Change in Law, Standard, System or Organization.

a. Consistent with Original Intent. If any law (including administrative rule), standard, system, or organization

referenced in this Agreement is modified or replaced in the normal course of events, such modification or replacement will then be used in this Agreement in place of the original law, standard or organization, but only to the extent the modification or replacement is generally consistent with the original spirit and intent of this Agreement.

b. Inconsistent With Original Intent. If any law (including administrative rule), standard, system or organization referenced in this Agreement is eliminated or ceases to exist, or if it is modified or replaced and such modification or replacement is inconsistent with the original spirit and intent of this Agreement, the Parties will negotiate in good faith to amend this Agreement to conform with the law, standard, system or organization, in a manner consistent with the original spirit and intent of this Agreement.

7.15 Computation of Time. In computing any period of time prescribed or allowed under this Agreement, the day of the act, event or default from which the designated period of time begins to run is included. Weekends and holidays are also included.

7.16 No Party the Drafter. No Party is deemed the drafter of this Agreement.

509-001-000

7.17 Further Instruments. Each party, promptly upon the request of the other, will sign and have acknowledged and delivered to the other, any and all further instruments reasonably requested or appropriate to evidence or give effect to the provisions of this Agreement and that are consistent with the provisions hereof.

7.18 Attorneys' Fees and Legal Expenses. If any proceeding or action shall be brought to recover any amount under this Agreement, or for or on account of any breach of, or to enforce or interpret any of the terms, covenants, or conditions of this Agreement, the prevailing party will be entitled to recover from the other party, as part of the prevailing party's costs, reasonable attorneys' fees, the amount of which will be fixed by the arbitrators or by the court and will be made a part of any award or judgment rendered.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be entered into on the day and year first above written.

CITIZENS WATER SERVICES COMPANY OF ARIZONA

By: *Ronald G. Hunt*  
Its: VICE PRESIDENT

CITIZENS WATER RESOURCES COMPANY OF ARIZONA

By: *Ronald G. Hunt*  
Its: VICE PRESIDENT

EXHIBIT I

REIMBURSEMENT SCHEDULE

<u>Calendar Year</u>	<u>Maximum Amount Payable by TreatCo under § 8.12(b)</u>
1998	\$ 6,000,000
1999	7,000,000
2000	3,000,000
2001	3,000,000
2002	5,000,000
Total	\$24,000,000

**EXHIBIT J**

**FORM OF  
LINE EXTENSION AGREEMENT**

4000-1400-0000

**WATER FACILITIES  
LINE EXTENSION AGREEMENT**

AGREEMENT dated \_\_\_\_\_, 199\_\_\_\_, between CITIZEN WATERSERVICES COMPANY OF ARIZONA, an Arizona corporation with offices at \_\_\_\_\_ Arizona \_\_\_\_\_ ("Utility"), and \_\_\_\_\_, a \_\_\_\_\_ with offices at \_\_\_\_\_ ("Builder").

WHEREAS, UTILITY provides public utility water service in portions of Maricopa County, Arizona; and,

WHEREAS, Builder proposes to construct a [single-family home subdivision containing approximately \_\_\_\_\_ lots] [commercial development consisting of \_\_\_\_\_ acres] (the "Development"), known as \_\_\_\_\_ as shown in Exhibit "A" attached hereto and incorporated herein by reference; and,

WHEREAS, to meet the public utility water service needs of the Development, water distribution facilities ("Distribution Facilities") described in Exhibit "B," attached hereto and incorporated by reference, must be constructed; and,

WHEREAS, Utility is willing to have Builder design and construct said Distribution Facilities, subject, however, to Utility's approval of such design and construction; and,

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereby agree as follows:

1. Builder will design, construct and install, or cause to be designed, constructed or installed, all Distribution Facilities necessary to provide adequate water service to the Development. Builder's schedule of materials, unit quantities, and estimated cost of facilities within the Development are set forth in Exhibit "B". Builder will pay all of the costs of constructing, installing, and connecting the Distribution Facilities, including, but not limited to, the costs of engineering, materials, labor, transportation, equipment, necessary permits and approvals, testing, corrections, insurance and bonds. Builder's costs for the construction and installation of the Distribution Facilities are subject to refund pursuant to the provisions of Paragraph 12 of this Agreement.

2. Builder will design and construct the Distribution Facilities with sufficient capacity to accommodate the water service requirements of the Development.

3. Builder will time the completion of the Distribution Facilities so as to enable Utility to provide water service to the Development as such service is required.

4. Builder will obtain all requisite permits, zoning and other approvals in advance of construction of the Distribution Facilities. All plans, specifications, construction and installation of the Distribution Facilities will be in accordance with good utility practices; the rules, regulations and requirements of the Arizona Department of Environmental Quality; and the requirements of all other governmental agencies having jurisdiction thereover. Additionally, construction will not commence until all of said plans and specifications have been approved in writing by Utility. Builder will submit said plans and specifications to Utility for review and approval. Together with such plans and specifications, Builder will submit, for information purposes only, preliminary plats, final plats, address maps and other items which may be reasonably requested by Utility. Utility will provide written approval of plans or provide review comments within 14 days of receipt by Utility, or the plans will be considered approved. Utility will conduct all reviews, make all comments and revisions, and grant all approvals at its own expense. Unless otherwise agreed, if Builder begins construction of any facilities before all required approvals have been obtained, such construction will be at Builder's sole risk and subject to repair, alteration or reconstruction as directed by Utility or any regulatory agency. Approval by Utility will not be unreasonably withheld or delayed.

5. Builder will comply with the inspection and testing requirements of Utility for the Distribution Facilities; said requirements will be reasonable and will not cause Builder unwarranted delays or unreasonable expense in the ordinary course of construction. Builder will give Utility adequate notice when the Distribution Facilities under construction are ready for inspection and testing, and Utility will inspect promptly after being so notified. No facility will be placed in service until inspected by Utility and Utility has issued its written Operational Acceptance of each facility. Said Operational Acceptance will be issued within 15 days of completion of construction, provided that (a) Builder has made all submittals required in accordance with Paragraph 4 hereof, (b) Builder has completed construction and testing of the facilities (excepting final grading and adjustments, roadways and sidewalks under which the facilities are installed), and (c) said submittal and construction are in accordance with reasonable Utility standards. Builder agrees that it will promptly correct all defects and deficiencies in construction, materials and workmanship upon request by Utility made subsequent to inspection by Utility and for one year

following Utility's written Operational Acceptance of the Distribution Facilities in accordance with the terms of this Agreement.

6. The Distribution Facilities constructed pursuant to this Agreement will become, upon written Operational Acceptance, and remain, the sole property of Utility without the requirement of any written document of transfer to Utility. However, Builder will furnish any document pertaining to ownership and title as may be requested by Utility, including documents which evidence or confirm transfer of possession to Utility, and good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Builder. All risk or loss of the Distribution Facilities will be with the Builder until written Operational Acceptance by Utility of the Distribution Facilities, or any portions thereof. Builder will repair or cause to be repaired promptly, and at no cost to Utility, all damage to the Distribution Facilities caused by construction operations until all construction in Development by or for Builder has been completed. Builder acknowledges that Utility will connect its existing and future water systems to the Distribution Facilities.

7. Builder shall, at no cost to Utility, grant or cause to be granted to Utility, perpetual non-exclusive rights-of-way and easements and obtain all necessary zoning and other governmental approvals as required, in a form satisfactory to Utility's counsel, for any Distribution Facilities constructed pursuant to this Agreement.

8. Builder shall, within 60 days of written Operational Acceptance of Distribution Facilities by Utility, furnish Utility with: (a) copies of all contracts and all paid bills, invoices and other statements of expenses incurred by Builder, covering all of the costs of materials, equipment, supplies, construction and installation of the Distribution Facilities; (b) lien waivers and releases from contractors, subcontractors and vendors for materials, equipment, supplies and construction included in the Distribution Facilities; and (c) "as-built" drawings certified as to correctness by an engineer registered in the State of Arizona and showing the locations, materials, sizes and pertinent construction details for all Distribution Facilities. Utility will issue its written Final Acceptance as to the relevant portion of facilities when (a) Builder has made submittals required in accordance with this Paragraph, (b) Builder has completed construction of such facilities including final grading and adjustments, roadways, and sidewalks under which the facilities are installed, and (c) said submittal and construction are in accordance with reasonable Utility standards.

9. Before the earlier of requesting water service or obtaining a building permit, Builder will submit to Utility a cash advance in an amount per meter equal to Utility's then applicable meter-advance rate, as an advance in aid of construction for meter installation by Utility. At the time of payment of such advance, Builder will submit to Utility proof of payment to Citizens Water Resources Company of Arizona of the capacity reservation charge, as approved by the Arizona Corporation Commission (the "Commission").

10. Upon written Operational Acceptance, and if Builder has complied with the other provisions of this Agreement, Utility will provide water service to the Development in accordance with the rates, charges and conditions set forth in the tariffs of Utility as filed with the Commission. Those rates are subject to change from time to time upon action by the Commission. Notwithstanding the foregoing, if Builder subsequently breaches this Agreement (including Paragraph 8 hereof) in any material respect, Utility will not suspend service to existing customers but will not be obligated to establish water service to any other customer in the Development until such breach is cured.

11. Water for construction within the Development will be made available only in quantities which are not necessary for service to other customers connected to Utility's existing system. All water is expected to be metered, but, if Builder requests to use unmetered water and if approved by Utility, water used for construction of water and wastewater facilities may be unmetered, in which case Utility will estimate, in accordance with Utility's standard procedures, the amount of unmetered water used and charge Builder for the water. Metered water used for the construction of water and sewer facilities or other facilities within the Development will be charged by the Utility to the Builder. Estimated and metered construction water will be billed by Utility to the Builder at Utility's then current tariff rate.

12. The cost of construction and installation of Distribution Facilities as evidenced by invoices furnished to Utility pursuant to Paragraph 8 hereof, together with any payments made to Utility under Paragraph 9 hereof, are subject to refund by Utility to Builder. Notwithstanding the foregoing, Utility will not make refunds before the Distribution Facilities have received Final Acceptance. Utility will make refunds annually to Builder on or before August 31, for the preceding July 1 through June 30 period. The amount to be refunded annually will be ten percent (10%) of revenues (excluding all gross receipts taxes or sales taxes and all District, Municipal,

County, State or Federally imposed regulatory assessments) derived from the provision of water service to each bonafide consumer whose service line is connected to main lines covered by this line extension agreement. Refunds are payable for a period of twelve (12) years commencing with the date of this Agreement. In no event will the refunds paid to Builder exceed the total amounts paid by Builder as advances in aid of construction. Any balance remaining at the end of the twelve-year period will be nonrefundable. No interest will be paid on any amount advanced.

13. Prior to the commencement of construction of the Distribution Facilities, Builder will furnish Utility with appropriate certificates of insurance coverage effective during the period of construction in the following types and amounts:

- (a) Workmens Compensation Insurance and Occupational Disease Disability Insurance in the benefit amounts required by the laws and regulations of the State of Arizona.
- (b) Comprehensive General Liability Insurance, including operations and protective liability coverages, with limits of not less than TWO MILLION DOLLARS (\$2,000,000) combined single limit for bodily injury (including death) and property damage. When the work to be performed requires blasting, Builder's insurance will specifically cover that risk. Utility will be named as an additional insured.
- (c) Comprehensive automobile liability insurance with limits of \$300,000/\$100,000 covering all owned and non-owned automobiles or trucks used by or on behalf of Builder in connection with the work.

14. Utility will endeavor to maintain satisfactory and continuous service, but does not guarantee a continuous supply of water service. Utility will not be liable for damages occasioned by interruptions or failure to commence service, or unsatisfactory service, or any act arising out of this Agreement caused by an act of God or the public enemy, accident, fire, explosions, strikes, riots, war, delay in receiving shipments of required material, order of any court or judge granted in any bona fide adverse legal proceedings or action, or any order of any commission or tribunal having jurisdiction in the premises; or without limitation by the preceding enumeration, any

other act or thing reasonably beyond its control or incident to interruptions necessary for repairs or changes in Utility's production, storage, transmission or distribution facilities.

15. Builder will indemnify, save and hold Utility harmless from and against all claims, damages, costs and expenses (including reasonable attorneys' fees and court costs) that may be based upon any injury or alleged injury or death to any person or damage to property that may occur, or that may be alleged to have occurred, during the course of the performance of the construction by Builder or by any of its subcontractors or affiliates, whether such claim is made by any employee of Builder or by a third person, and whether or not it is claimed that the alleged injury, death or damage was caused through a negligent act or omission of Builder or of any of its subcontractors or affiliates. Builder will, at its own cost and expense, pay all costs and other expenses arising from any of the foregoing, or incurred in connection therewith. If any judgment will be rendered against Utility in any such action or actions, Builder will, at its own cost and expense, satisfy and discharge the same.

16. The failure of either party hereto to enforce any of the provisions of this Agreement or the waiver thereof in any instance will not be construed as a general waiver or relinquishment on its part of any such provision but the same shall, nevertheless, be and remain in full force and effect.

17. Communications hereunder will be sent to Builder addressed as follows:

Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to such other addresses or addressees as Builder may advise Utility in writing, and to Utility at:

Citizens Water Services Company  
of Arizona  
Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to such other addresses or addressees as Utility may advise Builder in writing.

18. It is agreed that Utility is not an agent for Builder and will not incur any costs or expenses on behalf of Builder and that Builder is not an agent for Utility and will not incur any costs or expenses on behalf of Utility.

19. This Agreement will be governed by the laws of the State of Arizona and will be subject to such approvals of regulatory agencies as may be required under the laws of said State.

20. This Agreement represents the entire understanding between the parties with respect to the subject matter herein and those which are reasonably related; there are no oral or collateral agreements with respect thereto between the parties. All changes or amendments to this Agreement must be in writing and signed by the parties hereto.

21. This Agreement is binding upon and inures to the benefit of the parties hereto, and their respective legal representatives, successors and assigns. However, Builder will not assign its rights, obligations and interest in this Agreement without the prior written consent of Utility, and any attempted assignment without such consent will be void and of no effect. If the Distribution Facilities for the Development will be designed or constructed in two or more phases, this Agreement applies to all such phases.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals, as of the day and year first above written.

CITIZENS WATER SERVICES COMPANY  
OF ARIZONA, an Arizona corporation

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Fred L. Kriess, Jr.  
General Manager

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

947351 07

**EXHIBIT "A"**  
**TO**  
**WATER FACILITIES LINE EXTENSION AGREEMENT**  
**BETWEEN**

\_\_\_\_\_  
**AND**  
**CITIZENS WATER SERVICES COMPANY OF ARIZONA**  
**DATED** \_\_\_\_\_

**Map**

**[ATTACH THE MAP]**

WOOD - 1400 - 500

**EXHIBIT "B"**  
**TO**  
**WATER FACILITIES LINE EXTENSION AGREEMENT**  
**BETWEEN**

\_\_\_\_\_  
**AND**  
**CITIZENS WATER SERVICES COMPANY OF ARIZONA**  
**DATED** \_\_\_\_\_

Description of Water Distribution Facilities and Estimated Costs

[ATTACH THE DESCRIPTION]

4000-400-601

**WASTEWATER FACILITIES  
LINE EXTENSION AGREEMENT**

AGREEMENT dated \_\_\_\_\_, 199\_\_\_\_, between CITIZEN WATER SERVICES COMPANY OF ARIZONA, an Arizona corporation with offices at \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, Arizona \_\_\_\_\_ ("Utility"), and \_\_\_\_\_, a \_\_\_\_\_ with offices at \_\_\_\_\_ ("Builder").

WHEREAS, UTILITY provides public utility wastewater service in portions of Maricopa County, Arizona; and,

WHEREAS, Builder proposes to construct a [single-family home subdivision containing approximately \_\_\_\_\_ lots] [commercial development consisting of \_\_\_\_\_ acres] (the "Development"), known as \_\_\_\_\_ as shown in Exhibit "A" attached hereto and incorporated herein by reference; and,

WHEREAS, to meet the public utility wastewater service needs of the Development, wastewater collection facilities (the "Collection Facilities") described in Exhibit "B," attached hereto and incorporated by reference, must be constructed; and,

WHEREAS, Utility is willing to have Builder design and construct said Collection Facilities, subject, however, to Utility's approval of such design and construction; and,

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereby agree as follows:

1. Builder will design, construct and install, or cause to be designed, constructed or installed, all Collection Facilities necessary to provide adequate wastewater service to the Development. Builder's schedule of materials, unit quantities, and estimated cost of facilities within the Development are set forth in Exhibit "B". Builder will pay all of the costs of constructing, installing, and connecting the Collection Facilities, including, but not limited to, the costs of engineering, materials, labor, transportation, equipment, necessary permits and approvals, testing, corrections, insurance and bonds. Builder's costs for the construction and installation of the Collection Facilities are subject to refund pursuant to the provisions of Paragraph 12 of this Agreement.

2. Builder will design and construct the Collection Facilities with sufficient capacity to accommodate the wastewater service requirements of the Development.

3. Builder will time the completion of the Collection Facilities so as to enable Utility to provide wastewater service to the Development as such service is required.

4. Builder will obtain all requisite permits, zoning and other approvals in advance of construction of the Collection Facilities. All plans, specifications, construction and installation of the Collection Facilities will be in accordance with good utility practices; the rules, regulations and requirements of the Arizona Department of Environmental Quality; and the requirements of all other governmental agencies having jurisdiction thereover. Additionally, construction will not commence until all of said plans and specifications have been approved in writing by Utility. Builder will submit said plans and specifications to Utility for review and approval. Together with such plans and specifications, Builder will submit, for information purposes only, preliminary plats, final plats, address maps and other items which may be reasonably requested by Utility. Utility will provide written approval of plans or provide review comments within 14 days of receipt by Utility, or the plans will be considered approved. Utility will conduct all reviews, make all comments and revisions, and grant all approvals at its own expense. Unless otherwise agreed, if Builder begins construction of any facilities before all required approvals have been obtained, such construction will be at Builder's sole risk and subject to repair, alteration or reconstruction as directed by Utility or any regulatory agency. Approval by Utility will not be unreasonably withheld or delayed.

5. Builder will comply with the inspection and testing requirements of Utility for the Collection Facilities; said requirements will be reasonable and will not cause Builder unwarranted delays or unreasonable expense in the ordinary course of construction. Builder will give Utility adequate notice when the Collection Facilities under construction are ready for inspection and testing, and Utility will inspect promptly after being so notified. No facility will be placed in service until inspected by Utility and Utility has issued its written Operational Acceptance of each facility. Said Operational Acceptance will be issued within 15 days of completion of construction, provided that (a) Builder has made all submittals required in accordance with Paragraph 4 hereof, (b) Builder has completed construction and testing of the facilities (excepting final grading and adjustments, roadways and sidewalks under which the facilities are installed), and (c) said submittal and construction are in accordance with

reasonable Utility standards. Builder agrees that it will promptly correct all defects and deficiencies in construction, materials and workmanship upon request by Utility made subsequent to inspection by Utility and for one year following Utility's written Operational Acceptance of the Collection Facilities in accordance with the terms of this Agreement.

6. The Collection Facilities constructed pursuant to this Agreement will become, upon written Operational Acceptance, and remain, the sole property of Utility without the requirement of any written document of transfer to Utility. However, Builder will furnish any document pertaining to ownership and title as may be requested by Utility, including documents which evidence or confirm transfer of possession to Utility, and good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Builder. All risk or loss of the Collection Facilities will be with the Builder until written Operational Acceptance by Utility of the Collection Facilities, or any portions thereof. Builder will repair or cause to be repaired promptly, and at no cost to Utility, all damage to the Collection Facilities caused by construction operations until all construction in Development by or for Builder has been completed. Builder acknowledges that Utility will connect its existing and future wastewater systems to the Collection Facilities.

7. Builder shall, at no cost to Utility, grant or cause to be granted to Utility, perpetual non-exclusive rights-of-way and easements and obtain all necessary zoning and other governmental approvals as required, in a form satisfactory to Utility's counsel, for any Collection Facilities constructed pursuant to this Agreement.

8. Builder shall, within 60 days of written Operational Acceptance of Collection Facilities by Utility, furnish Utility with: (a) copies of all contracts and all paid bills, invoices and other statements of expenses incurred by Builder, covering all of the costs of materials, equipment, supplies, construction and installation of the Collection Facilities; (b) lien waivers and releases from contractors, subcontractors and vendors for materials, equipment, supplies and construction included in the Collection Facilities; and (c) "as-built" drawings certified as to correctness by an engineer registered in the State of Arizona and showing the locations, materials, sizes and pertinent construction details for all Collection Facilities. Utility will issue its written Final Acceptance as to the relevant portion of facilities when (a) Builder has made submittals required in accordance with this Paragraph, (b) Builder has completed construction of such facilities including final grading and adjustments, roadways, and sidewalks under

which the facilities are installed, and (c) said submittal and construction are in accordance with reasonable Utility standards.

9. Before the earlier of requesting wastewater service or obtaining a building permit, Builder will submit to Utility proof of payment to Citizens Water Resources Company of Arizona of the capacity reservation charge, as approved by the Arizona Corporation Commission (the "Commission").

10. Upon written Operational Acceptance, and if Builder has complied with the other provisions of this Agreement, Utility will provide wastewater service to the Development in accordance with the rates, charges and conditions set forth in the tariffs of Utility as filed with the Commission. Those rates are subject to change from time to time upon action by the Commission. Notwithstanding the foregoing, if Builder subsequently breaches this Agreement (including Paragraph 8 hereof) in any material respect, Utility will not suspend service to existing customers but will not be obligated to establish water service to any other customer in the Development until such breach is cured.

11. Water for construction of wastewater Collection Facilities will be made available only in quantities which are not necessary for service to other customers connected to Utility's existing system. All water is expected to be metered, but, if Builder requests to use unmetered water and if approved by Utility, water used for construction of wastewater Collection Facilities may be unmetered, in which case Utility will estimate, in accordance with Utility's standard procedures, the amount of unmetered water used and charge Builder for the water. Metered water used for the construction of wastewater Collection Facilities will be charged by the Utility to the Builder. Estimated and metered construction water will be billed by Utility to the Builder at Utility's then current tariff rate.

12. The cost of construction and installation of Collection Facilities, as evidenced by invoices furnished to Utility pursuant to Paragraph 8 hereof, are subject to refund by Utility to Builder. Notwithstanding the foregoing, Utility will not make refunds before the Collection Facilities have received Final Acceptance. Utility will make refunds annually to Builder on or before August 31, for the preceding July 1 through June 30 period. The amount to be refunded annually will be ten percent (10%) of revenues (excluding all gross receipts taxes or sales taxes and all District, Municipal, County, State or Federally imposed regulatory assessments) derived from the provision of wastewater service to each bonafide consumer whose service line is connected to main lines covered by this line

extension agreement. Refunds are payable for a period of twelve (12) years commencing with the date of this Agreement. In no event will the refunds paid to Builder exceed the total amounts paid by Builder as advances in aid of construction. Any balance remaining at the end of the twelve-year period will be nonrefundable. No interest will be paid on any amount advanced.

13. Prior to the commencement of construction of the Collection Facilities, Builder will furnish Utility with appropriate certificates of insurance coverage effective during the period of construction in the following types and amounts:

- (a) Workmens Compensation Insurance and Occupational Disease Disability Insurance in the benefit amounts required by the laws and regulations of the State of Arizona.
- (b) Comprehensive General Liability Insurance, including operations and protective liability coverages, with limits of not less than TWO MILLION DOLLARS (\$2,000,000) combined single limit for bodily injury (including death) and property damage. When the work to be performed requires blasting, Builder's insurance will specifically cover that risk. Utility will be named as an additional insured.
- (c) Comprehensive automobile liability insurance with limits of \$300,000/\$100,000 covering all owned and non-owned automobiles or trucks used by or on behalf of Builder in connection with the work.

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

100-100-100

15. Builder will indemnify, save and hold Utility harmless from and against all claims, damages, costs and expenses (including reasonable attorneys' fees and court costs) that may be based upon any injury or alleged injury or death to any person or damage to property that may occur, or that may be alleged to have occurred, during the course of the performance of the construction by Builder or by any of its subcontractors or affiliates, whether such claim is made by any employee of Builder or by a third person, and whether or not it is claimed that the alleged injury, death or damage was caused through a negligent act or omission of Builder or of any of its subcontractors or affiliates. Builder will, at its own cost and expense, pay all costs and other expenses arising from any of the foregoing, or incurred in connection therewith. If any judgment will be rendered against Utility in any such action or actions, Builder will, at its own cost and expense, satisfy and discharge the same.

16. The failure of either party hereto to enforce any of the provisions of this Agreement or the waiver thereof in any instance will not be construed as a general waiver or relinquishment on its part of any such provision but the same shall, nevertheless, be and remain in full force and effect.

17. Communications hereunder will be sent to Builder addressed as follows:

Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to such other addresses or addressees as Builder may advise Utility in writing, and to Utility at:

Citizens Water Services Company  
of Arizona  
Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to such other addresses or addressees as Utility may advise Builder in writing.

18. It is agreed that Utility is not an agent for Builder and will not incur any costs or expenses on behalf of Builder and that Builder is not an agent for Utility and will not incur any costs or expenses on behalf of Utility.

19. This Agreement will be governed by the laws of the State of Arizona and will be subject to such approvals of regulatory agencies as may be required under the laws of said State.

20. This Agreement represents the entire understanding between the parties with respect to the subject matter herein and those which are reasonably related; there are no oral or collateral agreements with respect thereto between the parties. All changes or amendments to this Agreement must be in writing and signed by the parties hereto.

21. This Agreement is binding upon and inures to the benefit of the parties hereto, and their respective legal representatives, successors and assigns. However, Builder will not assign its rights, obligations and interest in this Agreement without the prior written consent of Utility, and any attempted assignment without such consent will be void and of no effect. If the Collection Facilities for the Development will be designed or constructed in two or more phases, this Agreement applies to all such phases.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals, as of the day and year first above written.

**CITIZENS WATER SERVICES COMPANY  
OF ARIZONA, an Arizona corporation**

By: \_\_\_\_\_  
Fred L. Kriess, Jr.  
General Manager

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

0475534.07

**EXHIBIT "A"**  
**TO**  
**WASTEWATER FACILITIES LINE EXTENSION AGREEMENT**  
**BETWEEN**

\_\_\_\_\_  
**AND**  
**CITIZENS WATER SERVICES COMPANY OF ARIZONA**  
**DATED** \_\_\_\_\_

**Map**

**[ATTACH THE MAP]**

WOOD-HOOD-COOP

**EXHIBIT "B"**  
**TO**  
**WASTEWATER FACILITIES LINE EXTENSION AGREEMENT**  
**BETWEEN**

**AND**  
**CITIZENS WATER SERVICES COMPANY OF ARIZONA**  
**DATED \_\_\_\_\_**

Description of Wastewater Collection Facilities and Estimated Costs

**[ATTACH THE DESCRIPTION]**

WOOD - 100 - 605

**ATTACHMENT "4"**

**WATER/WASTEWATER PURCHASE AGREEMENT**

WOOD - 004 - 000M

**WATER/WASTEWATER PURCHASE AGREEMENT**

THIS WATER/WASTEWATER PURCHASE AGREEMENT dated as of September 29, 1997, between CITIZENS WATER RESOURCES COMPANY OF ARIZONA, an Arizona corporation ("TreatCo"), and CITIZENS WATER SERVICES COMPANY OF ARIZONA, an Arizona corporation ("DistCo") (collectively, "Parties").

**RECITALS:**

A. Together with certain other persons, TreatCo and DistCo are parties to the Agreement for The Villages at Desert Hills Water/Wastewater Infrastructure dated as of September 29, 1997 (the "Webb/Citizens Agreement"),

B. Section 5.1 of the Webb/Citizens Agreement obligates TreatCo and DistCo to enter into a written agreement regarding (a) the transfer by TreatCo to DistCo of Potable Water for resale for the purpose of DistCo's providing DistCo Services in the Project, and (b) the transfer by DistCo to TreatCo of wastewater derived within the Project for treatment and disposal or reuse.

C. An additional purpose of this Agreement is to enable the Parties to fulfill their respective obligations under the Webb/Citizens Agreement.

**AGREEMENT:**

NOW, THEREFORE, the Parties agree as follows:

**ARTICLE I  
DEFINITIONS**

1.1 Definitions. Capitalized terms that are not defined in this Agreement have the meanings set forth in the Webb/Citizens Agreement, unless the context otherwise requires.

**ARTICLE II  
POTABLE WATER**

2.1 Transfer of Potable Water. During the term of this Agreement, TreatCo will transfer to DistCo Potable Water for resale for the purpose of enabling DistCo to provide DistCo Services in accordance with the Webb/Citizens Agreement and in quantities sufficient to meet the demands of DistCo's customers. The Potable Water will at all times meet or exceed the drinking water standards and requirements established pursuant to any applicable law or as required by any regulatory body having jurisdiction over DistCo or TreatCo in effect now or as may hereafter be established.

2.2 Payment. In consideration for the Potable Water transferred under this Agreement, DistCo will pay TreatCo on the

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first day of each month an amount determined in accordance with rates approved by the Commission. TreatCo's rates will not exceed the rates set forth in Section 4.5 for the three-year period beginning on the date DistCo first supplies water to a residential customer.

ARTICLE III  
WASTEWATER

3.1 Transfer of Wastewater. During the term of this Agreement, DistCo will transfer to TreatCo for treatment and disposal, sale, recharge or reuse all wastewater in accordance with the Webb/Citizens Agreement, which wastewater (including any water or other things in, comprising or derived from the wastewater) will become the sole property of TreatCo.

3.2 Payment. In consideration for the wastewater transferred under this Agreement, DistCo shall pay TreatCo on the first day of each month an amount determined in accordance with rates approved by the Commission. TreatCo's rates will not exceed the rates set forth in Section 4.5 for the three-year period beginning on the date DistCo first supplies water to a residential customer.

ARTICLE IV  
TREATCO RISK COMPENSATION

4.1 Premise: TreatCo's Riskiness. TreatCo's willingness to participate in this Agreement is premised upon its ability to be compensated for the substantially higher risk to which it is exposed, compared to a traditional regulated utility provider. TreatCo's risk arises from at least five sources:

a. Project Funding. Through funds provided by its corporate parent, Citizens Utilities Company, TreatCo is funding up to \$24,000,000 of Phase I Facilities, Backbone Facilities, Subsequent Facilities and related costs (initial CAP water delivery pipeline, drinking water treatment facilities and wastewater treatment facilities).

b. Three-Year Rate Moratorium. TreatCo and DistCo guarantee that they will not return to the Commission for rate relief during the first three years rates are in effect.

c. Five-Year Rate of Return Cap. TreatCo is guaranteeing to DistCo, and DistCo is also guaranteeing to its customers, that rates of return will be capped for five years after service commences, subject to refund if rates of return exceed the levels set forth in this section.

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d. Long-Term Rate Cap. TreatCo is also guaranteeing that rates will not exceed specified levels over the term of Project construction (until Build-Out), regardless of how slowly customers are actually added. This insulates DistCo's customers from the risk of bearing the cost of infrastructure additions that are prudently required to serve future customers, even if load growth expectations are not met.

e. Deferred Depreciation Method. Finally, to keep initial utility rates low, TreatCo is using a deferred method (based upon customer additions) to calculate depreciation expense on facilities built to transport, treat and deliver water and to collect and treat wastewater. This further reduces the risk to current customers, if load growth expectations are not met.

Citizens' and TreatCo's \$24,000,000 funding is covered in the Webb/Citizens Agreement. The Three-Year Rate Moratorium, the Five-Year Rate Refund Guarantee, the Long-Term Rate Cap, and the Deferred Depreciation Method are discussed in Sections 4.3, 4.4, 4.5 and 4.6, below, respectively.

4.2 Appropriate Rate-of-Return Levels. In recognition of the significant additional risk to TreatCo's ability to earn a return on and of its investment to serve the Project, and of TreatCo's guarantee of certain rate levels to DistCo for providing Potable Water and wastewater treatment services, TreatCo should be

provided with the opportunity to earn a greater overall rate of return on original cost rate base ("ROR") than would be afforded a traditional water utility. This return is approximately 350 basis points above the market-based ROR the Commission currently uses to establish rates for Arizona water/wastewater companies, such as DistCo will be. For example, if the Commission, in a general rate case, determines that the ROR for DistCo should be 10.00%, TreatCo would be provided the opportunity to earn a ROR of 13.50%.

4.3 Three-Year Rate Moratorium. TreatCo and DistCo guarantee that they will not apply for a change in rates to be effective during the three-year period beginning on the date DistCo first supplies water to a residential customer.

4.4 Five-Year Rate Refund Guarantee. DistCo and TreatCo will, subject to the conditions in this Section, refund to DistCo's customers amounts that would yield to DistCo and TreatCo rates of return in excess of (i) the ROR used to establish the initial rates for the water and wastewater service to DistCo customers (10.00%); and (ii) the ROR used to establish the initial rates for the charges for treated water and wastewater treatment from TreatCo and DistCo, the capacity reservation charge made by TreatCo to Builders and the Refunds made by TreatCo to Citizens and Developer (13.50%).

a. Application. DistCo and TreatCo will file an application requesting that the Commission issue a certificate of

convenience and necessity ("CCN") and establish initial rates for the provision of utility service to DistCo customers and to TreatCo for charges to DistCo. As part of that application, DistCo's initial rates will be designated to provide DistCo the opportunity to earn a ROR of 10.00% and TreatCo's initial rates will be designated to provide TreatCo the opportunity to earn a ROR of 13.50%.

b. Limitation on Earnings During Initial Rate Period. If the Commission authorizes the use of the 10.00% ROR for DistCo and the 13.50% ROR for TreatCo, these RORs will limit the earnings potential for DistCo and TreatCo respectively, for the period that the initial rates are in effect. For example, if (i) the initial rates approved by the Commission become effective with the connection of the first customer (currently estimated to be in the beginning of 1999), and (ii) the Commission review of those initial rates is conducted in 2004 using a test-year of 2003, then the combined ROR for the five years 1999 through 2003, will not exceed an annualized ROR of 10.00% for DistCo and 13.50% ROR for TreatCo. This determination will be made by applying the determinations of the Commission in the 2003 test-year rate case to each of the five years covered by the initial rate period and by DistCo and TreatCo each making a filing within 180 days after the Commission's final order. Any earnings of DistCo and TreatCo in excess of the 10.00% and the 13.50%, respectively, will be refunded to DistCo customers upon review and approval by the Commission.

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c. Shortfall in Earnings. DistCo and TreatCo will not be entitled to recover any additional earning amounts during this period. For example, if the earned ROR for DistCo or TreatCo falls short of the 10.00% and 13.50%, respectively, neither DistCo nor TreatCo shall be allowed to recover any shortfall from DistCo customers.

4.5 Long-Term Rate Cap. After expiration of the three-year rate moratorium set forth in Section 4.3(b), TreatCo guarantees that the charge to DistCo for the delivery of Potable Water and for the treatment of wastewater will not exceed the amounts shown below for the indicated years as long as all of the criteria delineated in this subsection have occurred and are in place in the future (\*M" = 1,000):

Through December 30, 2001	\$4.64 per M gallon of water sold;
December 31, 2001, through December 30, 2008	\$5.61 per M gallon of water sold;
December 31, 2008, through December 30, 2013	\$6.68 per M gallon of water sold; and
December 31, 2013, through Build-Out	\$8.56 per M gallon of water sold.

TreatCo agrees to these caps on the following conditions:

a. Annual inflation (based on the Consumer Price Index for the first year that rates for DistCo are in effect) does not exceed an average of 3.00% per year;

b. The Commission provides rates for DistCo that provide DistCo the opportunity to recover the treatment costs for

Potable Water and wastewater treatment charged by TreatCo under this agreement, other reasonable operating costs, depreciation expense, income and property tax expenses and a fair and reasonable ROR; and

c. The Commission allows charges by TreatCo for treatment services, capacity reservation charges and refunds and does not otherwise limit the ability of Treatco to earn a ROR that is approximately 350 basis points above the market-based ROR found reasonable for DistCo.

d. If the CPI (as determined in Section 4.5(a), above) exceeds an average of 3.00% per year for the period of treatment charges from TreatCo to DistCo described in Section 4.3(b), the long-term rate caps set forth in this Section 4.5 will increase by the difference between the actual average of the CPI for the period and 3.00% times the rate in Section 4.3(a) per year. For example, if the average CPI for the period January 1, 2004, through December 31, 2008 is 4.0%, the maximum amount of the treatment charges for water and wastewater treatment will increase from the \$6.68 beginning on December 31, 2008 to \$7.02 per M gallon of water sold ( $4.00\% - 3.00\% = 1.00\% \times 5 \text{ years} = 5.00\% = \$0.34 \text{ per M gallon} + \$6.68 \text{ per M gallon} = \$7.02 \text{ per M gallon}$ ). Subsequent limitations will be adjusted accordingly.

4.6 Deferred Depreciation Method. An additional item designed to protect the DistCo customer is the deferral of recovery of the depreciation expense on the infrastructure installed to transport, treat and deliver the water and collect and treat the wastewater.

a. TreatCo has used a deferred method to calculate the depreciation expense to be included in the determination of the RORs during the first 20 years of operations of DistCo and TreatCo.

b. In any test year, TreatCo's depreciation expense will be based on the higher of the actual achieved average ERUs and the following average ERU levels:

<u>Year</u>	<u>Average ERUs</u>
1999	198
2000	795
2001	1,591
2002	2,388
2003	3,185
2004	3,982
2005	4,779
2006	5,576
2007	6,373
2008	7,170
2009	7,967
2010	8,764

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<u>Year</u>	<u>Average ERUs</u>
2011	9,561
2012	10,358
2013	11,155
2014	11,950
2015	12,350
2016	12,350

#### ARTICLE V

##### TERM

5.1 Term. The term of this Agreement is for an initial period of 50 years from the date hereof. Thereafter, the term will be automatically renewed for successive 50-year periods, provided that DistCo will not have given notice of termination of this Agreement at least 180 days before the end of the initial term or any renewal term. Notwithstanding the foregoing, if Webb terminates the Webb/Citizens Agreement under Section 14.23 of that Agreement, this Agreement will also terminate at the same time that the Webb/Citizens Agreement terminates.

#### ARTICLE VI

##### CAPACITY RESERVATION CHARGE

6.1 Confirmation of Payment of Capacity Reservation Charge. DistCo will obtain written verification from TreatCo that

the applicable Capacity Reservation Charge has been paid by a Builder to TreatCo before DistCo proceeds to make a connection.

ARTICLE VII  
GENERAL PROVISIONS

7.1 Force Majeure. No Party will be liable to another Party for failure, default or delay in performing any of its obligations under this Agreement, other than for the payment of money obligations specified in this Agreement, if such failure, default or delay is the result of any cause or event not within the control of the Party affected and which, by the exercise or reasonable diligence, such Party is unable to prevent or mitigate (such a cause or event being "Force Majeure"). Force Majeure does not include changes in local, state, national or international general economic conditions. The Party's failure, default or delay in performance will be excused only for as long as such cause or event is present. If any of the foregoing occur, the Parties will proceed with diligence to do what is reasonable and necessary so that each Party may perform its obligations under this Agreement. The Parties will not in any event incur any liability to one another for consequential or any other damages which may result from delays in initiating service, or from interruptions in or other malfunctions of service, based upon the foregoing circumstances.

7.2 Assignment. This Agreement may be assigned by a Party to a parent corporation of which it is a wholly-owned subsidiary, or to a wholly-owned subsidiary of the parent, or to a wholly-owned subsidiary of a wholly-owned subsidiary of the parent or another entity wherein a Party has a controlling interest, provided that the Party making such assignment will be a guarantor of the full and faithful performance of this Agreement by the assignee and executes documents to that effect as may reasonably be required by counsel for the other Parties. This Agreement will not be otherwise assignable by a Party without the consent in advance of the other Party to such assignment.

7.3 Notices. Except as otherwise specified in this Agreement, any notice, demand, request or other communication required or authorized by this Agreement to be given in writing to a Party must be either (a) personally delivered, (b) mailed by registered or certified mail (return receipt requested), postage prepaid, (c) sent by overnight express carrier, or (d) sent by telecopy, in each case at the following address:

To TreatCo addressed as follows:

Citizens Water Resources  
Company of Arizona  
15626 N. Del Webb Boulevard  
P.O. Box 1687  
Sun City, Arizona 85372

with a copy to:

Craig A. Marks  
Associate General Counsel  
Citizens Utilities Company  
2901 North Central Avenue  
Phoenix, Arizona 85004

and with a further copy to:

Gallagher & Kennedy, P.A.  
Attn: Terence W. Thompson, Esq.  
2600 North Central Avenue  
Phoenix, Arizona 85004

or to such other address as TreatCo may advise DistCo in writing,  
and to DistCo addressed as follows:

Citizens Water Services Company  
of Arizona  
15626 N. Del Webb Boulevard  
P.O. Box 1687  
Sun City, Arizona 85372

with a copy to:

Craig A. Marks  
Associate General Counsel  
Citizens Utilities Company  
2901 North Central Avenue  
Phoenix, Arizona 85004

and with a further copy to:

Gallagher & Kennedy, P.A.  
Attn: Terence W. Thompson, Esq.  
2600 North Central Avenue  
Phoenix, Arizona 85004

or to such other address as one Party may advise the other Party in  
writing. The designation of such person and/or address may be

changed at any time by either Party upon written notice given under this Section. All notices, demands, requests or other communications sent pursuant to this Section will be deemed received (i) if personally delivered, on the Business Day of delivery, (ii) if sent by telecopy before 2:00 p.m. Phoenix time, on the day sent if a Business Day or, if such day is not a Business Day or if sent after 2:00 p.m. Phoenix time, on the next Business Day, (iii) if sent by overnight express carrier, on the next Business Day immediately following the day sent, or (iv) if sent by registered or certified mail, on the earlier of the third Business Day after the day sent or when actually received. Any notice by telecopy will be followed by delivery on the next Business Day by overnight express carrier or by hand.

7.4 Entire Agreement. This Agreement (including all attachments) together with the Webb/Citizens Agreement constitutes the entire understanding between the Parties with respect to the subject matter hereof, supersedes any and all previous understandings between the Parties (including any letter of intent) with respect to the subject matter hereof, and binds and inures to the benefit of the Parties, their successors and assigns. None of the Parties has entered into this Agreement in reliance upon any oral or written representation or information provided by any other Party.

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7.5 Further Assurances. If a Party determines in its reasonable discretion that any further instruments, assurances or other things are necessary or desirable to carry out the terms of this Agreement, the other Parties will execute and deliver all instruments and assurances and do all things reasonably necessary or desirable to carry out the terms of this Agreement, including using their best efforts to negotiate and enter into any agreements that may become necessary and appropriate.

7.6 Severability. If any provision of this Agreement or its application to any person, entity or circumstance is declared invalid or unenforceable, the remainder of this Agreement and its applications will not be affected, and each term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law.

7.7 No Waiver. The failure of a Party to enforce at any time any of the provisions of this Agreement, or to require at any time performance by the other Party of any of its provisions is not to be construed as a waiver of such provisions, nor in any way to affect the validity of this Agreement or its part, or the right of such Party to enforce any provision.

7.8 Modification or Waiver. A modification or waiver of all or any part of this Agreement is not valid unless it is reduced to a written agreement signed by the Party to be charged.

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7.9 Governing Law and Interpretation. The laws of the State of Arizona govern the interpretation and performance of this Agreement. Time is of the essence with respect to all provisions of this Agreement. Nothing in this Agreement supersedes any provision of the Webb/Citizens Agreement. If any inconsistency between the Webb/Citizens Agreement and this Agreement exists, the Webb/Citizens Agreement governs the matter.

7.10 Counterparts. This Agreement may be executed in several counterparts.

7.11 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third person to any party to this Agreement. This Agreement does not create any duty, liability or standard of care to any person not a Party to this Agreement.

7.12 Confidential and Proprietary Information. Any information provided by one Party to the other that is conspicuously labeled "CONFIDENTIAL AND PROPRIETARY", or any matter derived from such information, may not be disclosed by the receiving Party to any third party, except: (i) with the providing Party's consent, not to be unreasonably withheld, and (ii) pursuant

to a court order or a regulatory authority order obtained after the receiving Party has used reasonable efforts to obtain an order of the court protecting the confidentiality of the information and/or restricting its dissemination. If a Party that receives confidential information becomes aware of any attempt by any third party or court to obtain any confidential information, the Party will, as soon as practicable thereafter, notify the Party that labeled the information as confidential of the attempt to obtain the information. Upon request of the providing Party, the information must be promptly returned.

7.13 Regulatory Approvals. This Agreement is subject to approval by the Commission, to approval of the initial rates for service and the Tariff for Water Service and the Tariff for Wastewater Service, and the granting of an appropriate Certificates of Convenience and Necessity to provide water and wastewater utility services to the Project. The Parties will use their joint best efforts to obtain, as soon as practicable, a final non-appealable order from the Commission that contains no material terms and conditions that are unacceptable to any Party, in the Party's reasonable discretion.

7.14 Change in Law, Standard, System or Organization.

a. Consistent with Original Intent. If any law (including administrative rule), standard, system, or organization

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referenced in this Agreement is modified or replaced in the normal course of events, such modification or replacement will then be used in this Agreement in place of the original law, standard or organization, but only to the extent the modification or replacement is generally consistent with the original spirit and intent of this Agreement.

b. Inconsistent With Original Intent. If any law (including administrative rule), standard, system or organization referenced in this Agreement is eliminated or ceases to exist, or if it is modified or replaced and such modification or replacement is inconsistent with the original spirit and intent of this Agreement, the Parties will negotiate in good faith to amend this Agreement to conform with the law, standard, system, or organization, in a manner consistent with the original spirit and intent of this Agreement.

7.15 Computation of Time. In computing any period of time prescribed or allowed under this Agreement, the day of the act, event or default from which the designated period of time begins to run is included. Weekend and holidays are also included.

7.16 No Party the Drafter. No Party is deemed the drafter of this Agreement.

7.17 Further Instruments. Each party, promptly upon the request of the other, will sign and have acknowledged and delivered to the other, any and all further instruments reasonably requested or appropriate to evidence or give effect to the provisions of this Agreement and that are consistent with the provisions hereof.

7.18 Attorneys' Fees and Legal Expenses. If any proceeding or action shall be brought to recover any amount under this Agreement, or for or on account of any breach of, or to enforce or interpret any of the terms, covenants, or conditions of this Agreement, the prevailing party will be entitled to recover from the other party, as part of the prevailing party's costs, reasonable attorneys' fees, the amount of which will be fixed by the arbitrators or by the court and will be made a part of any award or judgment rendered.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be entered into on the day and year first above written.

CITIZENS WATER SERVICES COMPANY OF ARIZONA

By: *Baronette G. Wabbe*  
Its: VICE PRESIDENT

CITIZENS WATER RESOURCES COMPANY OF ARIZONA

By: *Baronette G. Wabbe*  
Its: VICE PRESIDENT

**ATTACHMENT "5"**

**DISTCO'S ARTICLES OF INCORPORATION AND BYLAWS**

WOOD-HOOD-COM

ARIZONA CORPORATION COMMISSION  
CORPORATIONS DIVISION

Phoenix Address: 1308 West Washington  
Phoenix, Arizona 85007-2929

Tucson Address: 400 West Congress  
Tucson, Arizona 85701-1347

**CERTIFICATE OF DISCLOSURE**  
A.R.S. Sections 10-128 & 10-1084

**CHECK APPROPRIATE BOXES A OR B**  
ANSWER "C"

Citizens Water Service Company  
EXACT CORPORATE NAME of Arizona

**THE UNDERSIGNED CERTIFY THAT:**

A. No person serving either by election or appointment as officers, directors, incorporators and persons controlling or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:



1. Have been convicted of a felony involving a transaction in securities, consumer fraud or interest in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
  - (a) involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
  - (b) involved the violation of the consumer fraud laws of that jurisdiction; or
  - (c) involved the violation of the restraint of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in items A.1 through A.3 above, the following information MUST be attached:



1. Full name and prior name(s) used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or case number of case.

C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked?

Yes \_\_\_ No

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved.
3. State(s) in which the corporation:
  - (a) Was incorporated.
  - (b) Has transacted business.
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency and the file or case number of the case.

Under penalty of law, the undersigned incorporators/officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete.

BY Lois Ann Dukes DATE 10/1/97 BY \_\_\_\_\_ DATE \_\_\_\_\_

TITLE Associate General Counsel TITLE \_\_\_\_\_

BY \_\_\_\_\_ DATE \_\_\_\_\_ BY \_\_\_\_\_ DATE \_\_\_\_\_

TITLE \_\_\_\_\_ TITLE \_\_\_\_\_

FISCAL DATE: 12/31

ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. (If more than four incorporators, please attach remaining signatures on a separate sheet of paper.)

CF: 0801 - Domestic  
Rev: 4/97

When initial officers have been elected, an AMENDED Certificate must be filed within sixty (60) days of original filing and must be signed by two (2) executive officers and directors.

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ARTICLES OF INCORPORATION  
OF

RECEIVED

OCT 01 1997

ARIZONA CORP. COMMISSION  
CORPORATIONS DIVISION

Citizens Water Service Company of Arizona  
(An Arizona Business Corporation\*)

1. **Name.**

The name of the Corporation is Citizens Water Services Company  
of Arizona.

2. **Purpose.**

The purpose for which this Corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of Arizona, as they may be amended from time to time.

3. **Initial Business.**

The Corporation initially intends to conduct the business of  
Water and Wastewater Services.

4. **Authorized Capital.**

The Corporation shall have authority to issue 1,000 shares of  
Common Stock.

5. **Known Place of Business. (In Arizona)**

The street address of the known place of business of the Corporation is:

15626 N. Del Webb Blvd.

Sun City, Arizona 85351

\* Incorporated under and subject to Articles 1 through 17 of Title 10, Arizona Revised Statutes, eff. 1/1/96.

CF: 0042  
Rev: 1/96

6. **Statutory Agent. (In Arizona)**

The name and address of the statutory agent of the Corporation is:

Prentice-Hall Corp. System  
3636 N. Central Ave., Ste. 970  
Phoenix, Arizona 85012  
\_\_\_\_\_

7. **Board of Directors. (Minimum of one.)**

The initial board of directors shall consist of 3 director(s). The name(s) and address(es) of the person(s) who is(are) to serve as the director(s) until the first annual meeting of shareholders or until his(her)(their) successor(s) is(are) elected and qualifies is(are):

Leonard Tow  
3 High Ridge Park  
Stamford, CT 06905-1390

Ronald E. Walsh  
3 High Ridge Park  
Stamford, CT 06905-1390

Daryl A. Ferguson  
3 High Ridge Park  
Stamford, CT 06905-1390

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The number of persons to serve on the board of directors thereafter shall be fixed by the Bylaws.

8. **Officers.**

The initial officer(s) of the Corporation who shall serve at the pleasure of the board of directors is (are):

Daryl A. Ferguson, President

Charles J. Weiss, Secretary

Ronald E. Walsh, V.P.  
(Title)

Robert J. DeSantis, V.P./Treasurer  
(Title)

9. Incorporators. (Minimum of one.)

The name(s) and address(es) of the incorporators is (are):

Beth Ann Burns  
2901 N. Central Ave., Ste. 1660  
Phoenix, Arizona 85012

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission.

10. Indemnification of Officers, Directors, Employees and Agents.

The Corporation shall indemnify any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise. This indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

11. Limitation of Liability.

To the fullest extent permitted by the Arizona Revised Statutes as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or omission of a director of the Corporation occurring prior to such repeal, amendment or modification.

EXECUTED this 15<sup>th</sup> day of October, 1997 by all of the incorporators.

Signed: Beth Ann Burns  
Beth Ann Burns  
[Print Name Here] \_\_\_\_\_  
[Print Name Here]

Acceptance of Appointment By Statutory Agent

The undersigned hereby acknowledges and accepts the appointment as statutory agent of the above-named corporation effective this 15<sup>th</sup> day of OCTOBER, 1997.

Signed CORPORATION SERVICE COMPANY  
Dale Morgan DALE MORGAN  
[Print Name Here]

**ATTACHMENT "8"**

**DESCRIPTION OF SYSTEMS AND STATUS  
OF REGULATORY APPROVALS**

WOOD - 1100 - 505

**[ATTACHMENT 6]**

**CITIZENS UTILITIES COMPANY**  
**DESCRIPTION OF WATER, WASTEWATER, EFFLUENT REUSE SYSTEMS**  
**AND STATUS OF REGULATORY APPROVALS**  
**FOR THE VILLAGES AT DESERT HILLS**

**System Summary**

The Villages at Desert Hills (the "Project") will be served by a completely self-contained water and wastewater system to be constructed specifically to serve the Project. The system will consist of seven separate components owned by two separate entities. Citizens Water Resources Company of Arizona ("TreatCo") will own and operate the off-site raw water supply system, the water treatment facility, the wastewater treatment facility, the backbone water distribution and wastewater collection systems, and the effluent reuse and on-site raw water system. Citizens Water Services Company of Arizona ("DistCo") will own and operate the on-site water distribution system and the on-site wastewater collection system. Through these systems all of the potable and irrigation water requirements and the wastewater requirements of the Project will be met.

The systems are currently in various stages of planning and design. Citizens Utilities Company ("Citizens") engineering and development staff are working closely with Del Webb Corporation and its development subsidiary The Villages at Desert Hills, Inc. ("Developer") personnel and a team of consultants to complete all necessary planning in order to have facilities complete and operational when needed for service to the Project. Planning of the off-site raw water supply system is complete and construction plans for the Phase I facilities have been prepared. Bookman-Edmonston Engineering is currently preparing a final report documenting the off-site raw water supply system master plan. CH2MHill has been retained as the lead consultant for planning, design and construction of the water and wastewater treatment facilities and related pumping facilities. It has completed preliminary reports on the treatment facilities evaluating various technologies

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OCT 01 1997

ARIZONA CORP COMMISSION  
CORPORATIONS DIVISION

ARTICLES OF INCORPORATION  
OF

Citizens Water Resources Company of Arizona  
(An Arizona Business Corporation\*)

1. Name.

The name of the Corporation is Citizens Water Resources Company  
of Arizona

2. Purpose.

The purpose for which this Corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of Arizona, as they may be amended from time to time.

3. Initial Business.

The Corporation initially intends to conduct the business of  
Water and Wastewater Services.

4. Authorized Capital.

The Corporation shall have authority to issue 1,000 shares of  
Common Stock.

5. Known Place of Business. (In Arizona)

The street address of the known place of business of the Corporation is:

15626 N. Del Webb Blvd.

Sun City, Arizona 85351

\* Incorporated under and subject to Articles 1 through 17 of Title 10, Arizona Revised Statutes, eff. 1/1/96.



9. Incorporators. (Minimum of one.)

The name(s) and address(es) of the incorporators is (are):

Beth Ann Burns  
2901 N. Central Ave., Ste. 1660  
Phoenix, Arizona 85012

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission.

10. Indemnification of Officers, Directors, Employees and Agents.

The Corporation shall indemnify any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise. This indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

11. Limitation of Liability.

To the fullest extent permitted by the Arizona Revised Statutes as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or omission of a director of the Corporation occurring prior to such repeal, amendment or modification.

EXECUTED this 15<sup>th</sup> day of October, 1997 by all of the incorporators.

Signed: Beth Ann Burns  
Beth Ann Burns [Print Name Here] [Print Name Here]

**Acceptance of Appointment By Statutory Agent**

The undersigned hereby acknowledges and accepts the appointment as statutory agent of the above-named corporation effective this 1st day of OCTOBER, 1997.

Signed CORPORATION SERVICE COMPANY -  
Dale Morgan DALE MORGAN -  
[Print Name Here]

WOOD-100-1000

**ATTACHMENT "11"**

**SUMMARY REGARDING THE AK-CHIN WATER**

**[ATTACHMENT 11]**

**AK-CHIN WATER SUMMARY**

Due to physical unavailability of groundwater in the area of the Project and Arizona Department of Water Resources Assured Water Supply Rules requirements that new developments use renewable supplies of water, surface water and wastewater effluent will be the sole source of water supply for the Project. The surface water supply is a 100-year lease among Del Webb, the Ak-Chin Indian Community and the United States of America and is attached as Exhibit G to the Agreement (which is Attachment 3 to this Joint Application).

The Ak-Chin Indian Community is located 30 miles south of Phoenix on 21,480 acres of land. In 1974, the Ak-Chin began negotiating a water rights settlement with the United States and neighboring farmers. The Ak-Chin claimed it had been deprived of water by both the United States and the neighboring farmers and was therefore unable to continue its farming operations.

In 1978, Congress authorized the first Ak-Chin water rights settlement. In that settlement, Congress directed the Secretary of the Interior to provide the Ak-Chin with an interim water supply of 85,000 acre-feet per year, and with a permanent water supply of the same amount by 2003. The Act required the United States to pay damages for failure to deliver water to the Ak-Chin as required by the Act.

The United States was unable to develop the interim water supply referred to in the 1978 Act, with the result that it became liable for damages to the Ak-Chin. To avoid liability, and to provide water to the Ak-Chin, in 1984 Congress enacted a second act to

provide water the Ak-Chin. The 1984 Act is the basis of the Ak-Chin's current water supply.

Section 2(a) of the 1984 Act requires the Secretary to deliver a permanent water supply to the Ak-Chin, no later than January 1, 1988, of 75,000 acre-feet of surface water per year. In years in which there is surplus Colorado River water available to Arizona, the Secretary will make an additional 10,000 acre-feet of water available to the Ak-Chin. In years of shortage on the Colorado River, the Secretary is required to deliver to the Ak-Chin not less than 72,000 acre-feet of water.

The water made available to the Ak-Chin in the 1984 Act comes from two sources. First, 50,000 acre-feet per year comes from the Yuma-Mesa Division of the Gila Project. This water has a pre-CAP priority based upon the July 30, 1947, contract under which the Yuma-Mesa Division first obtained rights to water from the Colorado River. The Yuma-Mesa contract was amended to reduce its entitlement in order to make the water available to the Ak-Chin. Second, the Ak-Chin water is derived in part from the 58,300 acre-foot CAP contract which the Ak-Chin executed in 1980. These two sources make a total of 108,300 acre-feet of water available, of which between 72,000 and 85,000 acre-feet per year can be used by the Ak-Chin under its water rights settlement agreement with the United States. The combination of these two water sources, which "collateralize" the availability of water to the Ak-Chin, results in the Ak-Chin's water under the settlement agreement having the highest priority within CAP.

The 1984 Act did not permit the Ak-Chin to lease its water for use off-reservation. However, in 1992, Congress amended the 1984 Act to authorize the Ak-Chin to use its

water anywhere within the Phoenix, Pinal and Tucson AMAs and to "lease or enter into an option to lease, extend leases, exchange or temporarily dispose of water to which the Community is entitled for beneficial use" within these AMAs. The term of any such lease may not exceed 100 years, and leases are to be made pursuant to contract that have been accepted by the Ak-Chin Council and approved and executed by the Secretary.

In December 1994, Del Webb entered into the Agreement with the Ak-Chin pursuant to which Ak-Chin granted Del Webb the option to lease between 6,000 and 10,000 acre-feet of the water available to the Ak-Chin under its settlement agreement. The Agreement provided that the option must be exercised within one year, unless extended for an additional year.

The option was extended for an additional year in 1995 and, ultimately, in December 1996, Webb exercised the option and leased 10,000 acre-feet of water from the Ak-Chin. The lease is for 100 years, commencing in December 1996.

Under the Agreement, the Ak-Chin and the Secretary will deliver to Webb 10,000 acre-feet of water per year, or such lesser amount as Webb may schedule, to such turnouts on the CAP Aqueduct as Webb directs. The Agreement is structured so as to enable Webb to obtain water even during times of shortage.

The Ak-Chin water will be made available at cost to the Project through the Agreement. Pursuant to the Agreement, Webb is obligated to provide to TreatCo all of the Ak-Chin water required by TreatCo, up to a maximum amount of 7,500 acre-feet per year. TreatCo is prohibited from purchasing, using or recharging water from any source other than the Ak-Chin water and effluent generated within the Project without the prior written

consent of Webb. TreatCo is obligated to pay to Webb all costs associated with the use of the Ak-Chin water, except that Webb will be responsible for the payment of the interest component of the capital charge payable under the Ak-Chin lease.

Under the Agreement, Webb covenants and agrees that:

1. Webb will pay all amounts that become payable under the Ak-Chin lease (subject to the right to subsequently receive reimbursement from TreatCo).
2. Webb will not default under the Ak-Chin lease.
3. With the exception of water which has been scheduled for delivery but will not be used, Webb will not sell, transfer, assign, convey, encumber or dispose of all or any portion of its interest under the Ak-Chin lease without the prior written consent of TreatCo.
4. Webb will not materially amend, waive rights or obligations under, or terminate the Ak-Chin lease without the prior written consent of TreatCo.

Put simply, TreatCo is required under the Agreement to rely solely on the delivery of surface water pursuant to the Ak-Chin lease, and Webb is obligated to ensure that surface water will be available pursuant to the Ak-Chin lease in such quantities as may be necessary to satisfy project demand.

Webb's obligation to provide for the delivery of surface water pursuant to the Ak-Chin lease to TreatCo, as well as TreatCo's obligation to take delivery of Ak-Chin surface water, will terminate only upon the occurrence of the following events:

1. The assignment by Webb to TreatCo of Webb's rights under the Ak-Chin lease, which will occur at the time the Project is substantially built out.

1000-100-1000

2. A condemnation, or conveyance in lieu of condemnation, of all utility facilities, in which case water utility service would be furnished by the condemning municipality.
3. The expiration or termination of the Ak-Chin lease.

**ATTACHMENT "12"**

**CITY OF PHOENIX LETTER REGARDING WATER/WASTEWATER SYSTEM**

PHOENIX - 1000 - 1000



**City of Phoenix**  
OFFICE OF THE CITY MANAGER

Winner of the  
Carl Bertalanffy  
Prize for



November 14, 1995

Mr. Jack Gleason  
Del Webb Corporation  
6001 N. 24th Street  
Phoenix, AZ 85016

Dear Mr. Gleason:

RE: PROPOSED BEN AVERY ANNEXATION/INFRASTRUCTURE ASSURANCES TO  
DEL WEBB

The City's proposed annexation north of Carefree Highway (referred to as the Ben Avery annexation) would take into the City's boundaries approximately 906 acres of property belonging to The Villages at Desert Hills, Inc., a subsidiary of Del Webb Corporation (Del Webb). We realize that this property is part of an approved 5,661 acre Development Master Plan (DMP) in Maricopa County, that is owned by Del Webb and known as The Villages at Desert Hills. The effect of the proposed Ben Avery annexation would be to divide off this 906 acres (approximately 16 percent of the total property) from the balance of the master plan: thus splitting the project into two governmental jurisdictions.

According to the County's approved DMP for The Villages at Desert Hills, it is our understanding that Del Webb will be installing all of the major infrastructure for this community including the water and wastewater treatment plants, a reclaimed water facility, streets, recreational facilities, trails and other project services and amenities. Since Del Webb plans to build all of these infrastructure systems to service the entire master-planned community, you have requested assurances from the City of Phoenix that our annexation of that portion of your property west of the I-17 freeway would not adversely affect the integrated infrastructure systems that you will be constructing. Pursuant to your request, we can provide you with the following assurances:

1. Although it is not the City's general policy to have areas within its jurisdiction that are served by a private water and/or wastewater company, staff would recommend to the City Council that this area be served by the same system that handles the rest of The Villages at Desert Hills master plan. In these circumstances, where you plan to construct a single integrated water and wastewater system for the entire master plan, we will not require a separate City system to be installed for the 906 acres west of I-17. We would like to work with you on the design of the facilities so that they will be compatible with City standards (in the event that these systems were ever to be managed by the City). However, the City would only operate the system in the future if the facilities

November 14, 1995

Mr. Gleason

Page 2

are built to our standards. We would also be willing to discuss with you a wholesale/retail agreement. The City will not impose any water, wastewater or other infrastructure fees on this 906 acres that duplicate services that you are or will be providing as a part of your approved DMP.

2. As you know, the City of Phoenix has adopted an infrastructure financing program for the Desert View Tri-Villages: West, Central and East in the north portion of our City. The Ben Avery annexation area is not part of the Desert Tri-Villages nor is it covered by their infrastructure financing plans. If an infrastructure financing plan is adopted for the proposed annexation area, it would only be after a General Plan land use amendment is prepared for this area. The infrastructure financing plan will logically only address the area north of Carefree Highway, and we would not recommend that it be part of the Desert Tri-Villages infrastructure financing plans because of its unique characteristics. The infrastructure plan for this new area would be developed by a committee of City staff utilizing your planning documents and other plans and facility needs assessments for the area. Once a fee program is proposed, it would go through a public review and hearing process as required by law. We would not assess your property for any duplicative impact fees, or we would provide credits for any facilities which you have provided which are shown in the infrastructure financing plan as provided in the City Code.
3. The City will recognize the conceptual land use plan (DMP) that has been approved by the County for the purposes of establishing land uses and densities for your site.

If I can answer any further questions on this matter, please call me.

Sincerely,



Raymond F. Bladine  
Deputy City Manager

DG/jam/benaver3.ltr



Citizens Water Resources Company of  
Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO.

TOC

SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

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MISC - 1	Miscellaneous Service Charges	4 - Original
	Rules and Regulations	ACC No. 1 thru ACC No. 52

ISSUED

MONTH DAY YEAR

EFFECTIVE

MONTH DAY YEAR

ISSUED BY

Fred L. Kriess, Jr.,  
NAME OF OFFICER

Vice President and General Manager  
TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Resources Company of  
Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO. 1  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

#### General Nonpotable Water Service G-1

##### Availability

Available to large turf and landscape irrigators for use on golf courses, lakes, school grounds, park lands, right of ways, and similar large open spaces.

##### Rates

		<u>Rate</u>
All Consumption	Per 1,000 gallons	\$0.62

##### Special Conditions

The water provided under this tariff is raw untreated water or reclaimed sewage effluent and is not suitable for human consumption or bodily contact. Water provided under this tariff should be used only for irrigation. Deliveries are subject to interruption, curtailment, or scheduling as necessary to match demands with available supplies.

##### Terms & Conditions

Water service provided under this rate schedule is subject to the Company's Rules and Regulations applicable to Water Service and may be subject to the Company's miscellaneous service charges set forth in Rate Schedule MISC-1.

Water service under this Schedule is for the exclusive use of the Customer and water shall not be resold or provided to others.

All rates in this Schedule shall be subject to their proportionate part of any taxes or other governmental imposts which are assessed directly or indirectly on the basis of revenues derived from service under this Schedule, or on the basis of the service provided or the volume of water produced, purchased or sold.

A 1-1/2% late payment penalty will be applied to account balances not paid within 25 days after the postmark date of the bill in accordance with Rule 8 (H).

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MONTH DAY YEAR

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MONTH DAY YEAR

ISSUED BY

Fred L. Kiess, Jr.

Vice President and General Manager

NAME OF OFFICER

TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351

ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Resources Company of  
Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO. 2  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

**Construction Nonpotable Water Service CNP-1**

**Availability**

Available to land developers and their contractors and sub-contractors for use on large construction projects which require significant amounts of dirt moving, grading, trenching or other water intensive construction activities.

**Rates**

All Consumption	Per 1,000 gallons	<u>Rate</u> \$0.62
-----------------	-------------------	-----------------------

**Special Conditions**

The water provided under this tariff is raw untreated water or reclaimed sewage effluent and is not suitable for human consumption or bodily contact. Water provided under this tariff should only be used for construction purposes. Water will be made available only to the extent it is not needed to serve other classes of customers and is subject to interruption, curtailment, or scheduling as necessary to match demands with available supplies.

**Terms and Conditions**

Water service provided under this rate schedule is subject to the Company's Rules and Regulations applicable to Water Service and may be subject to the Company's miscellaneous service charges set forth in Rate Schedule MISC-1.

Water service under this Schedule is for the exclusive use of the Customer and water shall not be resold or provided to others.

All rates in this Schedule shall be subject to their proportionate part of any taxes or other governmental imposts which are assessed directly or indirectly on the basis of revenues derived from service under this Schedule, or on the basis of the service provided or the volume of water produced, purchased or sold.

A 1-1/2% late payment penalty will be applied to account balances not paid within 25 days after the postmark date of the bill in accordance with Rule 8 (H).

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr., Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Resources Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO. 3  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

#### Capacity Reservation Charges CRC-1

##### Availability

Applicable to persons or entities that construct residential homes, commercial properties, schools, parks, churches or other improvements that require water or wastewater service from Citizens Water Services Company of Arizona.

##### Rates

##### Fee per Equivalent Residential Unit

<u>Period</u>	<u>Water</u>	<u>Wastewater</u>
Through December 31, 2005	\$500.00	\$500.00
January 1, 2006 - December 31, 2008	\$1,150.00	\$1,150.00
January 1, 2009 and Thereafter	\$2,415.00	\$2,415.00

##### Special Conditions

1. Before applying for a building permit, each person or entity constructing improvements (Builder) will notify Citizens Water Resources of Arizona (CWR) of how many ERUs will be connected to Citizens Water Services Company of Arizona (CWS) (together with a schedule of connections), as a result of expected construction under the building permit applied for by the person or entity.
2. CWR will prepare a statement using the number of ERUs and estimated schedule of construction shown on the Builder's notice and will submit the statement to the Builder within 15 calendar days after receipt of the Builder's ERU notification. CWR may submit invoices to Builders from time to time with respect to any Capacity Reservation Charges that are payable and for which CWR has not received a notice.
3. Capacity Reservation Charges are due and payable to CWR in full within five Business Days after a building permit is issued for each ERU that will be connected to CWS. CWS will not be obligated to supply water to any customer that has not paid in full all Capacity Reservation Charges attributable to the customer's property. CWR will provide CWS with notice of such payment.

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MONTH DAY YEAR

MONTH DAY YEAR

ISSUED BY

Fred L. Kiess, Jr.,

Vice President and General Manager

NAME OF OFFICER

TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351

ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Villages at Desert Hills, Maricopa County, Arizona  
 (NAME OF CITY)

**Water Service**

**Capacity Reservation Charges CRC-1 (cont'd)**

**Special Conditions (cont'd)**

4. Equivalent Residential Unit is that portion of a residential or commercial unit that uses an equivalent amount of water as a typical single-family home. Equivalent Residential Units for various facilities are determined under the following schedule:

<u>Type of Improvement</u>	<u>Associated ERU</u>
Single Family Homes	1.00
Apartment Units	.75
Recreation Centers	32.00
Elementary Schools	35.00
Middle Schools	125.00
High School	125.00
Junior College	125.00
Club House	16.00
Neighborhood Park	5.00
Regional Park	10.00
Church	4.00
Other Commercial Units (per acre)	4.25
Landscape Services	0.00

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 MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
 NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
 ADDRESS OF OFFICER

Citizens Water Resources Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO. 4  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

**Miscellaneous - MISC-1**

The Company is authorized to charge the following miscellaneous service fees:

**Service Establishment, Re-establishment and/or Reconnection Charge**

As provided for in Rule No. 2 (D), the Company will charge the following rates for the establishment or re-establishment and/or reconnection of Water Utility service:

- |    |                              |         |
|----|------------------------------|---------|
| 1. | During normal business hours | \$60.00 |
| 2. | During non-business hours    | \$90.00 |

**Insufficient Funds (NSF) Check Charge**

As provided for in Rule No. 8 (F), the Company will charge the customer \$20.00 for each instance the customer tenders payment for service with insufficient funds check.

**Customer Requested Meter Reread Charge**

As provided for in Rule No. 7(C), the Company will charge the customer \$10.00 for customer requested meter rereading, provided that the original reading was not in error.

**Meter Test Charge**

As provided for in Rule No. 7 (F), the Company will charge the customer \$30.00 for testing a meter upon the customer's request. However, if the meter is found to be over-registering by more than three percent (3%), no meter testing fee will be charged to the customer.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Resources Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO. 4a  
SHEET NO. \_\_\_\_\_

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

**Miscellaneous - MISC-1 (cont'd)**

**Service and Meter Installation Charges**

As provided for in Rule No. 4 (B), the Company will charge the customer, as a refundable advance in aid of construction, an amount for each meter and service line as specified below:

1. **Service Installations:**

<u>Meter Size</u>	<u>Rate</u>
1.5"	450.00
2"	500.00
Over 2" - charges are to be equal to actual total cost of installation.	

2. **Meter Installations:**

<u>Meter Size</u>	<u>Rate</u>
1.5"	700.00
2"	1500.00
Over 2" - charges are to be equal to actual total cost of installation.	

**Special Conditions**

The Company will not accept applications for meters smaller than 1 1/2".

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

Citizens Water Resources Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 1  
SHEET NO. \_\_\_\_\_

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

**RULES AND REGULATIONS  
APPLICABLE TO  
WATER SERVICE  
of  
CITIZENS WATER RESOURCES COMPANY OF ARIZONA**

Legally named and operating in:

**VILLAGES AT DESERT HILLS, MARICOPA COUNTY, ARIZONA**

These rules and regulations have been authorized by the Arizona Corporation Commission and are the effective rules and regulations of the aforementioned Company.

Services will be furnished in accordance with these rules and regulations and no officer, employee, or representative of this Company has any authority to write, alter, or amend these rules and regulations or any parts thereof in any respect.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

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ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

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NAME OF OFFICER TITLE

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ADDRESS OF OFFICER



Citizens Water Resources Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 4  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr., Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

Citizens Water Resources Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 5  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

**PRELIMINARY STATEMENT**

Citizens Water Resources Company of Arizona (hereinafter the "Company") is engaged in the business of supplying Nonpotable Water Service in the County or Counties previously mentioned.

These Rules and Regulations are designed to govern the supply of water in such manner as will secure to each customer the greatest practical latitude in the enjoyment of service, consistent with good service to himself and other customers, and with safety to the public and the Company's employees.

These Rules and Regulations are on file with the Arizona Corporation Commission of the State of Arizona, and copies are available at all Company offices. They are a part of every contract for service and govern all classes of service, except where specific provisions in contracts or schedules modify same. All prior rules, customs or alleged understandings are hereby rescinded. These rules and regulations are available for review by any customers, at any office of the Company.

Rates for metered service and other services rendered are those on file with the Arizona Corporation Commission and are available at the offices of the Company providing water service.

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MONTH DAY YEAR MONTH DAY YEAR

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A.C.C.

SHEET NO. 6  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

**RULE NO. 1  
DEFINITIONS**

For the purpose of these rules and regulations, unless the context otherwise requires, the following definitions shall apply:

1. **Advance in aid of Construction:** Funds provided to the Company by an applicant under the terms of a main extension agreement of the service connection tariff, the amount of which may be refundable.
2. **Applicant:** A person requesting the Company to supply water service.
3. **Application:** A written request of the Company for water service, as distinguished from an inquiry as to the availability or charges for such service.
4. **Arizona Corporation Commission:** The regulatory authority of the State of Arizona having jurisdiction over the public service corporations operating in Arizona.
5. **Billing Month:** The period between any two regular readings or estimated readings of the Company's meters at approximately thirty (30) day intervals.
6. **Billing period:** The time interval between two consecutive meter readings or estimates that are taken for billing purposes.
7. **Commissions:** The Arizona Corporation Commission.
8. **Commodity Charge:** The unit of cost per billed usage, as set forth in the Company's tariffs.
9. **Company:** Citizens Water Resources Company of Arizona.
10. **Contributions in Aid of Construction:** Funds provided to the Company by an applicant under the terms of a main extension agreement and/or service connection tariff, the amount of which is not refundable.

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Vice President and General Manager  
TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351

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CITIZENS  
WATER  
UTILITIES

Decision No.

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11. **Customer:** The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued, regardless of the identity of the actual user of the service.
12. **Customer Charge:** The amount the customer must pay the Company for the availability of water service, excluding any water used, as specified in the Company's tariffs.
13. **Customer Piping:** The pipe that transports water to the customer from the point of delivery to the point of usage by the customer.
14. **Day:** Calendar day.
15. **Distribution Main:** A water main of the Company from which service connections may be extended to customers.
16. **Interruptible Water Service:** Water service that is subject to interruption or curtailment.
17. **Main Extension:** The mains and ancillary facilities relevant to providing service to additional customers via the extension of the distribution system.
18. **Master Meter:** A meter for measuring or recording the volume or flow of water at a single location where said water is transported through a piping system to several tenants or occupants for their individual consumption.
19. **Meter:** The instrument for measuring and indicating or recording the volume of water that has passed through it.
20. **Meter Tampering:** A situation where a meter has been illegally altered. Common examples are meter bypassing, use of devices to slow the meter recorder, and broken meter seals.

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CITIZENS  
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30. **Rules:** The regulations set forth in the tariffs which apply to the provision of water service.
31. **Service Area:** The territory in which the Company has been granted a certificate of convenience and necessity and is authorized by the Commission to provide water service.
32. **Service Establishment Charge:** The charges specified in the Company's tariffs which cover the cost of establishing a new account.
33. **Service Line:** A water line that transports water from a common source (normally a distribution main) of supply to the customer's point of delivery.
34. **Service Reconnect Charge:** The charge as specified in the Company's tariffs which must be paid by the customer prior to reestablishment of water service each time the water is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the company's filed rules.
35. **Service Reestablishment Charge:** A charge as specified in the Company's tariffs, for service at the same location where the customer or a member of the customer's immediate family, had ordered a service disconnection within the preceding twelve month period.
36. **Single Family Dwelling:** A house, an apartment, or a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a home.
37. **Tariffs:** The documents filed with the Commission which list the services and products offered by the Company and which set forth the terms, conditions, and a schedule of the rates and charges for those services and products.

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CITIZENS  
WATER  
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**Water Service**

- 38. Temporary Service: Service to premises or enterprises which is temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.
- 39. Utility: The public service corporation providing water service to the public in compliance with state law.

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CITIZENS  
BPA&W  
UTILITIES Decision No.

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### Water Service

#### RULE NO. 2 ESTABLISHMENT OF SERVICE

##### A. INFORMATION FROM NEW APPLICANTS

1. The Company may obtain the following minimum information prior to acceptance of an applicant as a customer.
  - a. Name or names of applicant(s).
  - b. Service address or location and telephone number.
  - c. Billing address or location and telephone number, if different than service address.
  - d. Address where service was provided previously.
  - e. Date applicant will be ready for service.
  - f. Indication of whether premises have been supplied with Company service previously.
  - g. Purpose for which service is to be used.
  - h. Indication of whether applicant is owner or tenant of or agent for the premises, and written proof of agency.
2. The Company may require a new applicant for service to appear at the Company's designated place of business to produce proof of identity and sign the Company's application form.
3. Where service is requested by two or more individuals the Company shall have the right to collect the full amount owed to the Company from any one of the applicants.

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**B. DEPOSITS**

1. The Company may require a deposit from any new applicant for service.
2. The Company shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the Company's records.
3. Interest on deposits shall be calculated annually at an interest rate filed by the Company and approved by the Commission in a tariff proceeding. In the absence of such, the interest rate shall be 6%.
4. Interest shall be computed and accrued to the customer's account on an annual basis.
5. Deposits plus accrued interest shall be refunded within thirty (30) days after discontinuance of service when the customer has paid all outstanding amounts due the Company.
6. A separate deposit may be required for each service installed.
7. The amount of a deposit required by the Company shall be determined according to the following terms:
  - a. Customer deposits shall not exceed two and one-half times that customer's estimated maximum monthly bill.
  - b. The Company may review the customer's usage after service has been connected and adjust the deposit amount on the basis of the customer's actual usage.

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8. Deposits will automatically be refunded by the Company after twelve (12) consecutive months during which time the customer has not been delinquent more than three (3) times in a twelve (12) month period, or at the discretion of the Company at any time before service is discontinued. Upon final discontinuance of the use of the service and full settlement of all bills by the customer, any deposit, not previously refunded, with accrued interest, if any, in accordance with the provisions of this policy will be returned to the customer or at the Company's election, it may be applied to the payment of any unpaid accounts of the customer and the balance, if any, returned to the customer.
9. The Company may require a customer to establish or reestablish a deposit if the customer becomes delinquent in the payment of two (2) or more bills within a twelve (12) consecutive month period or has been disconnected for nonpayment during the last twelve (12) months.
10. Deposits shall not prevent the Company from terminating the agreement for service with a customer or suspending service for any failure in the performance of customer obligations under the agreement for service or any violation of the Company's Rules and Regulations.
11. Upon discontinuance of service, the deposit may be applied by the Company toward settlement of the customer's bill.

#### C. GROUNDS FOR REFUSAL OF SERVICE.

1. The Company may refuse to establish service if any of the following conditions exist:
  - a. The applicant has an outstanding amount due for the same class of utility service with the Company, and the applicant is unwilling to make arrangements with the Company for payment.
  - b. A condition exists, or could occur, which in the Company's judgment is unsafe or hazardous to the applicant, the general population, or the Company's personnel or facilities.

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WATER  
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- c. Refusal by the applicant to provide the Company with a deposit.
- d. Customer is known to be in violation of the Company's tariffs filed with the Commission or of the Commissions Rules and Regulations.
- e. Failure of the customer to furnish such funds, service, equipment, and/or rights-of-way necessary to serve the customer and which have been specified by the Company as a condition for providing service.
- f. Applicant falsifies his or her identity for the purpose of obtaining service.

#### D. SERVICE ESTABLISHMENTS, REESTABLISHMENTS, OR RECONNECTION CHARGE

- 1. The Company may make a charge as periodically filed with the Commission for establishment, reestablishment, reconnection or disconnection of utility services.
- 2. Should service be established or disconnected during a period other than regular working hours at the customer's request or cause, the customer may be required to pay an after hours charge. Where the Company's scheduling will not permit the requested service on the same day requested, the customer can elect to pay the after hours charge for the service that day.
- 3. For the purpose of this tariff, service establishments are where the customer's facilities are ready and acceptable to the Company and the Company needs only to install a meter, read a meter, or turn the service on.

#### E. TEMPORARY SERVICE

- 1. Applicants for temporary service may be required to pay the Company, in advance of service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired service.
- 2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.

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3. Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of the Company.
4. If at any time during the term of the agreement for service the character of a temporary customer's operations changes so that in the opinion of the Company the customer is classified as permanent, the terms of the Company's main extension rules shall apply.

#### F. DOUBTFUL PERMANENCY

When in the Company's opinion, the permanent nature of the customer's requirement for water service is doubtful, the customer shall be required to enter into an agreement with the Company and shall advance the entire cost of construction, including the mains and associated equipment. The agreement shall include provisions for refund upon proof of permanency to the satisfaction of the Company.

#### G. SERVICE LOCATION, INFORMATION

1. The Company reserves the right to determine the conditions under which extension will be made. Conditions for service and extending service to the customer will be based upon the following:
  - a. All such installations shall be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.
  - b. Individual customers may be required to have their property corner pins and/or markers installed.
  - c. Where the installation requires more than one meter for service to the premises, each meter pit or box shall be permanently marked (not painted) by the contractor or customer to properly identify the portion of the premises being served.

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The identification shall be the same as the apartment, office, etc., served by that meter. The identifying marking placed on each meter shall be impressed into or raised from a tag of aluminum, brass or other approved non-ferrous metal with minimum 1/8-inch-high letters. This tag must be attached to the meter pit or box. The impression must be deep enough to prevent the identification(s) from being obscured.

#### H. IDENTIFICATION OF PREMISES

The premises to be served by the Company shall be clearly identified by the customer at the time of application. If the service address is not recognized in terms of a commonly used identification system, the customer may be required to provide specific written directions and/or legal descriptions before the Company shall be required to act upon a request for water service.

#### I. SERVICE CALLS OR ESTABLISHMENTS DURING REGULAR HOURS

A service charge shall be made to the customer based upon the time, materials and equipment used by the Company for the following:

1. Interruption caused by the customer's willful act or omission, negligence or failure of customer owned equipment, even though the Company is unable to perform any work beyond the point of delivery.
2. Reconnection of water service to any customer previously disconnected for nonpayment, unlawful use of service, misrepresentation to the Company, unsafe conditions, threats to Company personnel or property, failure to permit safe access, detrimental effects of customer demands on the Company system, failure to establish credit and/or sign an agreement for service, or any other reason authorizing the Company to make such disconnection.

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**J. SERVICE CALLS OR ESTABLISHMENTS AFTER REGULAR HOURS**

A service charge, not to exceed the actual cost of the employee's time and the materials and equipment used by the Company, will be imposed for a service call after regular hours for the following:

1. Interruptions caused by the customer's willful act or omission, negligence or failure of customer owned equipment, even though the Company is unable to perform any work beyond the point of delivery. The Company shall make reasonable effort to advise the customer about the possibility of such charges before the service call starts.
2. Reconnection of water service to any customer previously disconnected for nonpayment, unlawful use of service, misrepresentation to the Company, unsafe conditions, threats to Company personnel or property, failure to permit safe access, detrimental effects of customer demands on the Company system, failure to establish credit and/or sign an agreement for service or any other reason authorizing the Company to make such disconnection. Such work will be performed only when requested and agreed to by the customer.

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**RULE NO. 3  
MINIMUM CUSTOMER INFORMATION REQUIREMENTS**

**A. INFORMATION FOR CUSTOMERS**

1. The Company shall make available upon customer request not later than sixty (60) days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
  - a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of minimum discharge included in the minimum charge, where applicable
  - b. Rate blocks, where applicable.
  - c. Any adjustment factor(s) or tax impositions, and methods of calculation.
2. The Company shall, to the extent practical, identify the tariff most advantageous to the customer and notify the customer of such prior to service commencement.
3. In addition, the Company shall make available upon customer request not later than sixty (60) days from the date of request a copy of the Company's Rules and Regulations governing:
  - a. Deposits
  - b. Termination of service
  - c. Billing and Collection
  - d. Complaint handling

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4. The Company upon written request of a customer shall not more than once each calendar year, transmit a concise statement of actual consumption by such customer for each billing period during the prior twelve (12) months, unless such data is not reasonably ascertainable.
5. The Company shall inform all new customers of their right to obtain the information specified above.

#### B. INFORMATION REQUIRED DUE TO CHANGES IN TARIFFS

1. The Company shall transmit to affected customers by the most economic means available a concise summary of any change in the Company's tariffs affecting those customers.
2. This information shall be transmitted to the affected customer within sixty (60) days of the effective date of the change.

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CITIZENS  
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**Water Service**

**RULE NO. 4  
SERVICE CONNECTIONS AND REESTABLISHMENTS**

**A. PRIORITY AND TIMING OF SERVICE ESTABLISHMENTS**

1. After an applicant has complied with the Company's application and deposit requirements and has been accepted for service by the Company, the Company shall schedule that customer for service connection and/or establishment.
2. Service establishments shall be scheduled for completion within five (5) working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishments beyond the five (5) working day limitation.
3. When the Company has made such arrangements to meet with a customer for service establishment purposes and the Company or the customer cannot make the appointment during the prearranged time, the Company shall reschedule the service establishment to the satisfaction of both parties.
4. The Company shall schedule service establishment appointments within a maximum range of four (4) hours during normal working hours, unless another time frame is mutually acceptable to the Company and its customer.
5. Service establishments shall be made only by qualified Company service personnel or persons authorized by the Company.
6. For the purposes of this tariff, establishments are where the customer's facilities are ready and acceptable to the Company and the Company needs only to install or read a meter or turn the service on.

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**B. SERVICE LINES**

1. An applicant for service shall be responsible for the cost of installing all piping up to the meter.
2. An applicant for service shall pay to the Company as a refundable advance in aid of construction a sum for each meter and service line.
3. Except where the refundable advances in aid of construction for meters and service lines have been included in refundable advances in aid of construction for main extensions and thus are refundable pursuant to main extensions contracts approved by the Commission, each advance in aid of construction for a service line or meter shall be repaid by the Company by an annual credit of one-tenth of the amount received, said credit to be applied upon the water bill rendered in November of each year until fully paid, for each service line and meter for which the advance was made, and said credit to commence in the month of November for all such advances received during the preceding calendar year.
4. Where the service is being provided for the first time, the customer shall provide and maintain a private cutoff valve within 8 inches of the meter on the customer's side of the meter, and the Company shall provide a like valve on the Company's side of such meter.
5. The Company may install its meter at the property line or, at the Company's option, on the customer's property in a location mutually agreed upon.
6. Where the meter or service line location on a customer's premises is changed at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his expense in accordance with Company specifications, all piping necessary for relocating the meter, and the Company may charge the actual cost of moving the meter or service line.
7. The customer's piping must be installed in such a manner as to prevent cross-connection or backflow.

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(NAME OF COMPANY) CANCELING \_\_\_\_\_  
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8 The Company shall retain the right to specify the location and size of any meter setting or service connection.

**C. CUSTOMER PROVIDED EQUIPMENT, SAFETY AND OPERATION**

1. Each customer shall be responsible for maintaining all equipment and facilities used for Company services located on his side of the meter in safe operating condition.

**D. EASEMENTS AND RIGHTS-OF-WAY**

- 1. Each customer shall grant adequate easements and rights-of-way satisfactory to the Company to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easements and rights-of-way shall be grounds for the Company to refuse service.
- 2. When the Company discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the Company's access to equipment, the Company shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the customer's expense.
- 3. If it is necessary for the Company to excavate in an easement or right-of-way to extend or repair water facilities, the Company will not be responsible for the cost to replace or repair landscaping, fences, trees, shrubs, structures, etc. placed within the easement or right-of-way.
- 4. The Company shall at all times have the right of safe ingress and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service.

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### Water Service

#### RULE NO. 5 MAIN EXTENSION AGREEMENTS

##### A. EXTENSIONS OF MAINS AND SERVICES; ADVANCES IN AID OF CONSTRUCTION

1. The Company will supply services for temporary purposes, provided that the Company has water available in excess of the Company's regular needs, and provided the Company has available material and equipment necessary to supply said service. Each applicant for such service must pay in advance, to the Company, the Company's estimate of the cost of labor and materials, less salvage value on removal, for installing and removing such service.
2. An applicant for the extension of mains shall be required to pay the Company, as a refundable advance in aid of construction, before construction is commenced, the estimated reasonable cost of all mains, distribution mains and service mains, including all valves, fittings, meters, other costs and reasonable overheads.
  - a. Upon request by a potential applicant for a main extension, the Company shall prepare, without charge, a preliminary sketch and rough estimates of the cost of installation to be paid by said applicant.
  - b. Any applicant for a collection main extension requesting the Company to prepare detailed plans, specifications, or cost estimates may be required to deposit with the Company an amount equal to the estimated cost of preparation. The Company shall, upon request, make available within forty-five (45) days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed collection main extension. Where the applicant accepts the plans and the Company proceeds with construction of the extension, the deposit shall be credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to include oversizing of facilities to be done at the Company's expense, appropriate details shall be set forth in the plans, specification and cost estimates.

ISSUED

MONTH DAY YEAR

EFFECTIVE

MONTH DAY YEAR

ISSUED BY

Fred L. Kriess, Jr.  
NAME OF OFFICER

Vice President and General Manager  
TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351

ADDRESS OF OFFICER

CITIZENS  
UTILITIES

Decision No.



Citizens Water Resources Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

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Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

6. All agreements entered into shall be evidenced by a written agreement, and signed by the Company and all parties advancing the funds for advances in aid, or the duly authorized agents of each.
7. The size, type and quality of materials and of the system, installed location in the ground, and the manner of installation, shall be specified by the Company, and shall accord with the requirements of the Commission or other public agencies having authority therein. The Company may install main extensions of any diameter meeting the requirements of the Commission or any other public agencies having authority over the construction and operation of the water system.
8. All mains, valves, fittings, wells, meters, tanks, and other facilities installed shall be the sole property of the Company, and parties making advances in aid of construction shall have no right, title or interest in any such facilities.
9. The Company, upon written request, shall furnish to any party seeking to enter into a main extension agreement a schedule of the proposed reasonable contract price for such extension of mains, or other facilities. Such schedule shall show a breakdown of the contract prices of materials and costs of installation. Different sizes and types of mains shall be separately stated. Valves, meters, and fittings shall be separately stated or listed as a percentage of total cost. All advances shall be made without provision for profit to the Company but shall include reasonable overheads.
10. The Company shall schedule within reason, new requests for main extension agreements, and for service under main extension agreements, promptly and in the order received.
11. If an applicant for service seeking to enter into a main extension agreement deems the contract price or the time of performance to be unreasonable, he may solicit bids from bonded contractors, provided that all bids shall be submitted by the bid date stipulated by the Company. If a lower bid is obtained, or if a bid is obtained at an equal price and with a more appropriate time of performance, and if such bid contemplates total conformity with the Company's requirements and specifications, the Company shall be required to meet the terms and conditions of the bid proffered, or to enter into a construction contract with the contractor proffering such bid.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

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ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Resources Company  
of Arizona  
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SHEET NO.

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(NAME OF CITY)

**Water Service**

- 12. In the case of disagreement or dispute regarding the application of this rule or any of its several provisions, or where the application of this rule works an injustice or undue hardship upon any party or anticipated party to any agreement hereunder, the party aggrieved may refer the matter to the Commission for hearing and decision in accord with the Rules and Practice and Procedure of the Commission.
- 13. All agreements shall be filed with and approved by the Utilities Division of the Commission. Where agreements for extension of service are not filed and approved, all advances in aid of construction shall be immediately due and payable to any person making such an advance.
- 14. No extensions of facilities shall be made without first having received approval of plans and specifications of such extensions or installations from the Maricopa County Environmental Services Department. A copy of such written approval shall then be filed with the Utilities Division of the Arizona Corporation Commission.

**B. WRITTEN AGREEMENT REQUIREMENTS**

- 1. Each main extension agreement shall include the following information:
  - a. Name and address of applicant(s).
  - b. Proposed service address or location.
  - c. Description of requested service.
  - d. Description and sketch of the requested line extension.
  - e. Itemized cost estimate to include materials, labor, and other costs as necessary.
  - f. Payment terms.
  - g. A clear and concise explanation of any refunding provisions, if applicable.
  - h. Company's estimated start date and completion date for construction of the main extension.

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2. Each applicant shall be provided with a copy of the written main extension agreement.

**C. FINAL COST**

1. In the event the Company's actual completed cost is less than the amount advanced by the customer, the Company shall make a refund to the applicant within 90 days after completion of the construction or Company's receipt of invoices related to that construction.
2. In the event the Company's actual completed cost is more than the amount advanced by the customer the Company shall notify the applicant and the applicant shall remit additional funds within 30 days of notification of the actual completed cost. Should the applicant fail to remit additional funds, service may be discontinued to the extension until the actual completed cost is paid in full.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
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CITIZENS  
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### Water Service

#### RULE NO 6 PROVISION OF SERVICE

##### A. COMPANY RESPONSIBILITY

1. The Company shall be responsible for providing nonpotable water to the customer's point of delivery.
2. The Company may, at its option, refuse service until the customer has obtained all required permits and/or inspections indicating that the customer's facilities comply with local construction and safety standards.

##### B. CUSTOMER RESPONSIBILITY

1. Each customer shall be responsible for maintaining all facilities on the customer's side of the point of delivery in safe and efficient manner and in accordance with the rules of the Arizona Department of Environmental Quality, and the prescribed specifications of the Company.
2. Each customer shall be responsible for safeguarding all Company property installed in or on the customer's premises for the purpose of supplying water to that customer.
3. Each customer shall exercise all reasonable care to prevent loss or damage to Company property, excluding ordinary wear and tear. The customer shall be responsible for loss of or damage to Company property on the customer's premises arising from neglect, carelessness, or misuse and shall reimburse the Company for the cost of necessary repairs and replacements.
4. Each customer shall be responsible for payment for any equipment damage resulting from unauthorized breaking of seals, interfering, tampering, or bypassing the Company meter.
5. The customer shall be responsible for notifying the Company of any failure identified in the Company's equipment.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
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ADDRESS OF OFFICER

CITIZENS  
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UTILITIES

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6. Water furnished by the Company shall be used only on the customer's premises and shall not be resold to any other person. During critical water conditions, as determined by the Commission, the customer shall use water only for those purposes specified by the Commission. Disregard of this rule shall be sufficient cause for refusal or discontinuance of service.
7. The customer agrees, when accepting service, that no one except Company employees or persons authorized by the Company shall be allowed to operate, remove or replace any Company owned equipment installed on customer's property.
8. No person, except an employee or persons acting on behalf of the Company shall alter, remove or make any connection to the Company's meter or service equipment.
9. No meter seal may be broken or removed by anyone other than an employee acting on behalf of the Company. However, the Company may give its prior consent to break the seal by an approved plumber employed by a customer when deemed necessary by the Company.
10. The customer will be held responsible for any broken seals, tampering, or interfering with the Company's meter(s) or any other Company owned equipment installed on the customer's premises. In cases of tampering with meter installations, interfering with the proper working thereof, or any such tampering, interfering, theft, or service diversion, including the falsification of customer's meter readings, that customer shall be subject to immediate discontinuance of service. The Company shall be entitled to collect from the current customer under the appropriate rate, for all consumption not recorded on the meter as the result of such tampering, or other theft of service, and also any additional security deposits as well as all expenses incurred by the Company for property damages, investigation of the illegal act, and all legal expenses and court costs if necessary.
11. The customer will be held liable for any loss or damage occasioned or caused by the customer's negligence, want of proper care or wrongful act or omission on the part of any customer's agents, employees, licensees, or contractors.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kniss, Jr. Vice President and General Manager  
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ADDRESS OF OFFICER

CITIZENS  
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**C. CONTINUITY OF SERVICE**

1. The Company shall make reasonable efforts to supply a satisfactory and continuous level of service. However, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:
  - a. Any cause against which the Company could not have reasonably foreseen or made provision for, i.e., force majeure.
  - b. Intentional service interruptions to make repairs or perform routine maintenance.
  - c. Curtailment.

**D. SERVICE INTERRUPTIONS**

1. The Company shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
2. The Company shall make reasonable provision to meet emergencies resulting from failure of service, and shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
3. In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
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ADDRESS OF OFFICER

Villages at Desert Hills, Maricopa County, Arizona (NAME OF CITY)

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- 4. When the Company plans to interrupt service for more than four (4) hours to perform necessary repairs or maintenance the Company shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers.
5. The Commission shall be notified of interruptions in service affecting the entire system or any major division thereof. The interruption of service and cause shall be reported within four (4) hours after the responsible representative of the Company becomes aware of said interruption, by telephone to the Commission, and followed by a written report to the Commission.

E. MINIMUM DELIVERY PRESSURE

- 1. The Company shall maintain a minimum standard delivery pressure of 20 pounds per square inch gauge (PSIG) at the customer's meter or point of delivery.

F. CONSTRUCTION STANDARDS

- 1. The Company shall construct or cause to be constructed all facilities in accordance with the guidelines established by the Arizona Department of Environmental Quality or its successors, any other governmental agency having jurisdiction thereof, and the Company. Phase construction is acceptable.

G. ELECTION OF RATE SCHEDULES

- 1. The Company shall use its best efforts to select the most favorable rate for which the customer is eligible based on available data at the time of application. The Company shall use its best efforts for notifying the customer of the most favorable rate schedule if the class has changed after initial application, and shall not be required to refund the difference in charge under different rate schedules. Upon written application of any material changes in the customer installation, the Company will assist in determining if a change in rate schedule is desirable.

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Citizens Water Resources Company  
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Villages at Desert Hills, Maricopa County, Arizona  
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**Water Service**

**RULE NO. 7  
METER READING**

**A. FREQUENCY**

1. Each meter shall be read monthly or as close to the same day of each month a practicable unless otherwise approved by the commission.

**B. MEASURE OF SERVICE**

1. All water delivered by the Company shall be billed upon the basis of metered volume sales, except that the Company may, at its option, provide a fixed charge for the following:
  - a. Temporary service where the water use can be readily estimated.
  - b. Public and private fire protection service.
  - c. Water used for street sprinkling and sewer flushing, when provided for by contract between the Company and the municipality or other local governmental authority.
  - d. Other fixed charge schedules as shall be submitted to and approved by the Commission.
2. When there is more than one meter at a location, the metering equipment shall be so tagged or plainly marked as to indicate the facilities being metered.

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NAME OF OFFICER

Vice President and General Manager  
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ADDRESS OF OFFICER

CITIZENS  
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C. CUSTOMER REQUESTED REREADS

- 1. The Company shall at the request of the customer reread that customer's meter within ten (10) working days after such request by the customer.
2. Any rereads shall be charged to the customer at the rate on file and approved by the Commission, provided that the original reading was not in error. Adjustment for reasonable usage since the original reading was taken shall be considered when determining the original reading.
3. When the original reading is found to be in error, the reread shall be at no charge to the customer, given adjustment for reasonable usage since the original reading was taken.

D. ACCESS TO CUSTOMER PREMISES

- 1. The Company shall at all times have the right of safe ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.

E. METER TESTING AND MAINTENANCE PROGRAM

- 1. The Company shall establish a regular program of meter testing taking into account the following factors:
a. Size of meter
b. Age of Meter
c. Consumption
d. Characteristics of water

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15262 North Del Webb Boulevard, Sun City, Arizona 85351
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Citizens Water Resources Company  
of Arizona  
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(NAME OF CITY)

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#### F. CUSTOMER REQUESTED METER TESTS

1. The Company shall test a meter upon customer request, and shall be authorized to charge the customer for such meter test according to the tariff on file and approved by the Commission. However, if the meter is found to over-register by more than three percent (3%), no meter testing fee will be charged to the customer.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

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15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

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Citizens Water Resources Company  
of Arizona  
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SHEET NO. 35  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

#### RULE NO. 8 BILLING AND COLLECTION

##### A. FREQUENCY AND ESTIMATED BILLS

1. The Company shall bill monthly for services rendered. Meter readings shall be scheduled for periods of not less than 25 days or more than 35 days, unless otherwise approved by the Commission.
2. If the Company is unable to read the meter on a scheduled meter read date, it will estimate the consumption for the billing period giving consideration to the following factors when applicable:
  - a. The customer's usage during the same month of the previous year
  - b. The amount of usage during the preceding month.
3. After the second consecutive month of estimating the customer's bill for reasons other than severe weather or standard billings practice as approved by the Commission, the Company will attempt to secure an accurate reading of the meter.
4. Failure on the part of the customer to comply with a reasonable request by the Company for access to its meter may lead to the termination of service.
5. Estimated bills will be issued only under the following conditions:
  - a. Failure of a customer who reads his own meter to deliver his meter reading card to the Company in accordance with the requirements of the Company's billing cycle.
  - b. Severe weather conditions which prevent the Company from reading the meter.
  - c. Circumstances that make it dangerous or impossible to read the meter, i.e., locked gates, blocked meters, vicious or dangerous animals, etc.

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ADDRESS OF OFFICER

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- d. Other billing cycles as approved by the Commission.
- 6. Each bill based on estimated usage will indicate that it is an estimated bill.

**B. COMBINING METERS, MINIMUM BILL INFORMATION**

- 1. Each meter at a customer's premises will be considered separately for billing purposes, and the readings of two or more meters will not be combined.
- 2. Each bill for residential service will contain the following minimum information:
  - a. Date and meter reading at the end of the actual or estimated billing period.
  - b. Previous month's actual or estimated meter reading and date.
  - c. Billing usage.
  - d. Company telephone number.
  - e. Customer's name.
  - f. Service account number.
  - g. Amount due and terms of payment.
  - h. Past due amount where appropriate.
  - i. Adjustment factor, where applicable.
  - j. Privilege, sales or use tax, or any regulatory assessment applicable.
  - k. Other approved tariff charges.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
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15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

Citizens Water Resources Company  
of Arizona  
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**C. BILLING TERMS**

1. All bills for services are due and payable when rendered. All bills not paid within fifteen (15) days shall be considered delinquent.
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
  - a. The postmark date.
  - b. The mailing date.
3. All delinquent bills shall be subject to the provisions of the Company's termination procedures.
4. All payments shall be made or mailed to the office of the Company.

**D. APPLICABLE TARIFFS, PREPAYMENT, FAILURE TO RECEIVE, COMMENCEMENT DATE, TAXES**

1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
2. The Company shall make provisions for advance payment for services.
3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.

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	NAME OF OFFICER	TITLE

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ADDRESS OF OFFICER

CITIZENS  
S P A W  
UTILITIES Decision No.

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4. Charges for service commence when the service is installed and connection made, whether used or not.
5. In addition to the collection of regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, or other imposts based on the gross revenues received by the Company.

#### E. METER ERROR CORRECTIONS

1. If any meter after testing is found to be more than three percent (3%) in error, either fast or slow, proper correction between three percent (3%) and the amount of the error shall be made of previous readings, and adjusted bills shall be rendered according to the following terms:
  - a. For the period of three (3) months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three (3) months since the meter shall have been shown to be in error by such test, or
  - b. From the date the error occurred, if the date of the cause can be definitely fixed.
2. No adjustment shall be made by the Company except to the customer last served by the meter tested.

#### F. INSUFFICIENT FUNDS (NSF) CHECKS

1. The Company shall be allowed to recover a fee, as approved by the Commission, for each instance where the customer tenders payment for service with an insufficient funds check, and require a security deposit equal to that prescribed in Section B, provision 7 of Rule No. 2.
2. When the Company is notified by the customer's bank that there are insufficient funds to cover the check tendered for service, the Company may require the customer to make payment in cash, money order, certified check, or other means which guarantee the customer's payment to the Company.

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MONTH DAY YEAR MONTH DAY YEAR

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ADDRESS OF OFFICER

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3. A customer who tenders an insufficient funds check shall in no way be relieved of the obligation to render payment to the Company under the original terms of the bill nor defer the Company's provision for termination of service for nonpayment of bills.
4. No personal checks will be accepted if two (2) NSF checks have been received by the Company within a twelve-month period in payment of any billing.

**G. DEFERRED PAYMENT PLAN**

1. The Company may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for service.
2. Each deferred payment agreement, entered into in writing by the customer and the customer and the Company, due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:
  - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment plan.
  - b. Customer agrees to pay all future bills for service in accordance with the billing and collection tariffs of the Company.
  - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six (6) months.
3. For the purpose of determining a reasonable installment payment schedule under these rules, the Company and the customer shall give consideration to the following conditions:
  - a. Size of the delinquent account.
  - b. Customer's ability to pay.
  - c. Customer's payment history.

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CITIZENS  
WATER  
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- d. Length of time that the debt has been outstanding.
  - e. Circumstances which resulted in the debt being outstanding.
  - f. Any other relevant factors related to the circumstances of the customer.
4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the Company's scheduled termination date for nonpayment of bills. Customers failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the Company from terminating service for nonpayment.
  5. Deferred payment agreements shall be in writing and signed by the customer and an authorized Company representative.
  6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
  7. If a customer has not fulfilled the terms of a deferred payment agreement, the Company shall have the right to disconnect service pursuant to the Company's termination of service rules and under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to termination.

#### H. LATE PAYMENT PENALTY

1. The Company may include in its tariffs a late payment penalty which may be applied to delinquent bills.
2. The amount of the late payment penalty shall be indicated upon the customer's bill when rendered by the Company.
3. In the absence of an approved tariff, the amount of the late payment penalty shall not exceed 1 1/2 per month of the delinquent bill, applied on a monthly basis.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
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Citizens Water Resources Company CANCELING \_\_\_\_\_ A.C.C. SHEET NO. 41  
of Arizona \_\_\_\_\_ SHEET NO. \_\_\_\_\_  
(NAME OF COMPANY) \_\_\_\_\_

Villages at Desert Hills, Maricopa County, Arizona  
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Water Service	
I.	<b>CHANGE OF OCCUPANCY</b>
1.	Not less than three (3) working days advance notice must be given in person, in writing, or by telephone at the Company office to discontinue service or to change occupancy.
2.	The outgoing party shall be responsible for all utility services provided and/or consumed up to, and including the scheduled turn off date.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

Citizens Water Resources Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 42  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

#### RULE NO. 9 TERMINATION OF SERVICE

##### A. NONPERMISSIBLE TERMINATION OF SERVICE

1. The Company may not disconnect service for any of the reasons stated below:
  - a. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
  - b. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
  - c. Nonpayment of a bill related to another class of water service.
  - d. Failure to pay for a bill to correct a previous underbilling due to a billing error, inaccurate meter reading or meter failure, if the customer and Company agree in writing to payment terms over a reasonable period of time.
  - e. Disputed bills where the customer has complied with the Commission's rules and regulations.

##### B. TERMINATION OF SERVICE WITHOUT NOTICE

1. Company service may be disconnected without advance written notice under the following conditions:
  - a. The existence of an obvious hazard to the safety or health of the consumer, the general population, Company personnel or facilities.
  - b. The Company has evidence of meter tampering or fraud.

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ADDRESS OF OFFICER

CITIZENS  
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### Water Service

- c. Unauthorized resale or use of utility services.
- d. Failure of a customer to comply with the curtailment procedures imposed by a utility during supply shortages.
2. The Company shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the Company.
3. The Company shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one (1) year and shall be available for inspection by the Commission.

#### C. TERMINATION OF SERVICE WITH NOTICE

1. The Company may disconnect service to any customer for any reason stated below, provided the Company has met the notice requirements established by the Commission.
  - a. Customer violation of any of the Company's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
  - b. Failure of the customer to pay a delinquent bill for water service.
  - c. Failure to meet or maintain the Company's credit and deposit requirements.
  - d. Failure of the customer to provide the Company reasonable access to its equipment and property.
  - e. Customer breach of a written contract for service between the Company and customer.
  - f. When necessary for the Company to comply with an order of any governmental agency having such jurisdiction.

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- g. The Company may terminate water service to effect sewer service termination when it provides both services to the same customer upon the same premises.
2. The Company shall maintain a record of all terminations of service with notice. This record shall be maintained for one (1) year and be available for Commission inspection.

#### D. TERMINATION NOTICE REQUIREMENTS

1. The Company shall not terminate service to any of its customers without providing advance written notice to the customer of the Company's intent to disconnect service, except under those conditions specified where advance written notice is not required.
2. Such advance written notice shall contain, at a minimum, the following information:
- a. The name of the person whose service is to be terminated and the address where service is being rendered.
  - b. The Commission rule or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the Company, if applicable.
  - c. The date on or after which service may be terminated.
  - d. A statement advising the customer to contact the Company at a specific address or phone number for information regarding any deferred payment or other procedures which the Company may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.

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MONTH DAY YEAR MONTH DAY YEAR

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ADDRESS OF OFFICER

CITIZENS  
S P A W  
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**Water Service**

e. A statement advising the customer that the Company's stated reason for the termination of service may be disputed by contacting the Company at a specified address and phone number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the Company in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the Company shall retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the customer of his right to file a complaint with the Commission.

**E. TIMING OF TERMINATION WITH NOTICE**

1. The Company shall be required to give at least ten (10) days advance notice prior to termination date.
2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment thereof or in the case of a violation of the Company's rules the customer has not satisfied the Company that such violation has ceased, the Company may then terminate service on or after the day specified in the notice without giving further notice.
4. Service may only be disconnected in conjunction with a personal visit to the premises by an authorized representative of the Company.
5. The Company shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.

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**Water Service**

**F. LANDLORD/TENANT RULE**

- 1. In situations where service is rendered at an address different from the mailing address of the bill or where the Company knows that a landlord/tenant relationship exists and that the landlord is a customer of the Company, and where the landlord as a customer would otherwise be subject to disconnection of service, the Company may not disconnect service until the following actions have been taken:
  - a. Where it is feasible to so provide service, the Company, after providing notice as required in these rules, shall offer the occupant the opportunity to subscribe for service in his or her own name. If the occupant then declines to so subscribe, the Company may disconnect service pursuant to the rules.
  - b. The Company shall not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

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**Water Service**

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NAME OF OFFICER

Vice President and General Manager  
TITLE

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ADDRESS OF OFFICER

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### Water Service

#### General Water Service G-1

#### Availability

Available for residential and commercial establishments served by Citizens Water Services Company of Arizona.

#### Minimum Monthly Charge

Meter Size	Rate
5/8" x 3/4" (3/4")	\$16.00
1"	32.00
1.5"	64.00
2"	80.00
3"	160.00
4"	200.00
6"	250.00
Master Meter	12.00 per unit

The master meter rate applies when the per unit rate times the number of units (homes, apartments, shops, etc.) taking service exceeds the minimum monthly charge for the meter size.

#### Usage Charge

In addition to the minimum monthly charge above, the following usage charge will be made:

All meter sizes                      All Usage                      \$2.00 per 1,000 gallons

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MONTH      DAY      YEAR

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Vice President and General Manager  
TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351

ADDRESS OF OFFICER

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### Water Service

#### General Water Service G-1 (cont'd)

#### Terms and Conditions

Water service provided under this rate schedule is subject to the Company's Rules and Regulations applicable to Water Service and may be subject to the Company's miscellaneous service charges set forth in Rate Schedule MISC-1.

Water service under this Schedule is for the exclusive use of the Customer and water shall not be resold or provided to others.

All rates in this Schedule shall be subject to their proportionate part of any taxes or other governmental imposts which are assessed directly or indirectly on the basis of revenues derived from service under this Schedule, or on the basis of the service provided or the volume of water produced, purchased or sold.

A 1-1/2% late payment penalty will be applied to account balances not paid within 25 days after the postmark date of the bill in accordance with Rule 8 (H).

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### Water Service

#### Private Fire Protection FP-1

#### Availability

Available for all establishments served by the Company.

#### Minimum Monthly Charge Per Connection

<u>Line Size</u>	<u>Rate</u>
3"	\$70.00
4"	90.00
6"	135.00
8"	180.00
10"	360.00

#### Terms and Conditions

Water service provided under this rate schedule is subject to the Company's Rules and Regulations application to Water Service and may be subject to the Company's Miscellaneous Service Charges set forth in Rate Schedule MISC-1.

Water service under this Schedule is for the exclusive use of the Customer and water shall not be resold or provided to others.

All rates in this Schedule shall be subject to their proportionate part of any taxes or other governmental imposts which are assessed directly or indirectly on the basis of revenues derived from service under this Schedule, or on the basis of the service provided or the volume of water produced, purchased or sold.

A 1-1/2% late payment penalty will be applied to account balances not paid within 25 days after the postmark date of the bill in accordance with Rule 8 (H).

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Vice President and General Manager  
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### Water Service

#### Miscellaneous - MISC-1

The Company is authorized to charge the following miscellaneous service fees:

#### Service Establishment, Re-establishment and/or Reconnection Charge

As provided for in Rule No. 2 (D), the Company will charge the following rates for the establishment or re-establishment and/or reconnection of Water Utility service:

- |                                  |         |
|----------------------------------|---------|
| 1. During normal business hours. | \$60.00 |
| 2. During non-business hours.    | \$90.00 |

#### Insufficient Funds (NSF) Check Charge

As provided for in Rule No. 8 (F), the Company will charge the customer \$20.00 for each instance the customer tenders payment for service with insufficient funds check.

#### Customer Requested Meter Reread Charge

As provided for in Rule No. 7(C), the Company will charge the customer \$10.00 for customer requested meter rereading, provided that the original reading was not in error.

#### Meter Test Charge

As provided for in Rule No. 7 (F), the Company will charge the customer \$30.00 for testing a meter upon the customer's request. However, if the meter is found to be over-registering by more than three percent (3%), no meter testing fee will be charged to the customer.

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### Water Service

#### Miscellaneous - MISC-1 (cont'd)

#### Service and Meter Installation Charges

As provided for in Rule No. 4 (B), the Company will charge the customer, as a refundable advance in aid of construction, an amount for each meter and service line as specified below:

1. Service Installations:

Meter Size	Rate
5/8"	\$350.00
1"	400.00
1.5"	450.00
2"	500.00

Over 2" - charges are to be equal to actual total cost of installation.

2. Meter Installations:

Meter Size	Rate
5/8"	\$130.00
1"	290.00
1.5"	700.00
2"	1500.00

Over 2" - charges are to be equal to actual total cost of installation.

#### Special Conditions

The Company will not accept applications for new 3/4". This size of meter is obsolete.

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Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

**RULES AND REGULATIONS  
APPLICABLE TO  
WATER SERVICE  
of  
CITIZENS WATER SERVICES COMPANY OF ARIZONA**

Legally named and operating in:

VILLAGES AT DESERT HILLS, MARICOPA COUNTY, ARIZONA

These rules and regulations have been authorized by the Arizona Corporation Commission and are the effective rules and regulations of the aforementioned Company.

Services will be furnished in accordance with these rules and regulations and no officer, employee, or representative of this Company has any authority to write, alter, or amend these rules and regulations or any parts thereof in any respect.

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(NAME OF CITY)

## Water Service

### PRELIMINARY STATEMENT

Citizens Water Services Company of Arizona (hereinafter the "Company") is engaged in the business of supplying Water Service in the County or Counties previously mentioned.

These Rules and Regulations are designed to govern the supply of water in such manner as will secure to each customer the greatest practical latitude in the enjoyment of service, consistent with good service to himself and other customers, and with safety to the public and the Company's employees.

These Rules and Regulations are on file with the Arizona Corporation Commission of the State of Arizona, and copies are available at all Company offices. They are a part of every contract for service and govern all classes of service, except where specific provisions in contracts or schedules modify same. All prior rules, customs or alleged understandings are hereby rescinded. These rules and regulations are available for review by any customers, at any office of the Company.

Rates for metered service and other services rendered are those on file with the Arizona Corporation Commission and are available at the offices of the Company providing water service.

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MONTH DAY YEAR MONTH DAY YEAR

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WATER  
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Villages at Desert Hills, Maricopa County, Arizona

(NAME OF CITY)

### Water Service

#### RULE NO. 1 DEFINITIONS

For the purpose of these rules and regulations, unless the context otherwise requires, the following definitions shall apply:

1. Advance in aid of Construction: Funds provided to the Company by an applicant under the terms of a main extension agreement of the service connection tariff, the amount of which may be refundable.
2. Applicant: A person requesting the Company to supply water service.
3. Application: A written request of the Company for water service, as distinguished from an inquiry as to the availability or charges for such service.
4. Arizona Corporation Commission: The regulatory authority of the State of Arizona having jurisdiction over the public service corporations operating in Arizona.
5. Billing Month: The period between any two regular readings or estimated readings of the Company's meters at approximately thirty (30) day intervals.
6. Billing period: The time interval between two consecutive meter readings or estimates that are taken for billing purposes.
7. Commissions: The Arizona Corporation Commission.
8. Commodity Charge: The unit of cost per billed usage, as set forth in the Company's tariffs.
9. Company: Citizens Water Services Company of Arizona.
10. Contributions in Aid of Construction: Funds provided to the Company by an applicant under the terms of a main extension agreement and/or service connection tariff, the amount of which is not refundable.

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NAME OF OFFICER

Vice President and General Manager  
TITLE

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ADDRESS OF OFFICER

CITIZENS  
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11. **Customer:** The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued, regardless of the identity of the actual user of the service.
12. **Customer Charge:** The amount the customer must pay the Company for the availability of water service, excluding any water used, as specified in the Company's tariffs.
13. **Customer Piping:** The pipe that transports water to the customer from the point of delivery to the point of usage by the customer.
14. **Day:** Calendar day.
15. **Distribution Main:** A water main of the Company from which service connections may be extended to customers.
16. **Interruptible Water Service:** Water service that is subject to interruption or curtailment.
17. **Main Extension:** The mains and ancillary facilities relevant to providing service to additional customers via the extension of the distribution system.
18. **Master Meter:** A meter for measuring or recording the volume or flow of water at a single location where said water is transported through a piping system to several tenants or occupants for their individual consumption.
19. **Meter:** The instrument for measuring and indicating or recording the volume of water that has passed through it.
20. **Meter Tampering:** A situation where a meter has been illegally altered. Common examples are meter bypassing, use of devices to slow the meter recorder, and broken meter seals.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
BOARD  
UTILITIES Decision No.

Citizens Water Services Company  
of Arizona  
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21. **Minimum Charge:** The amount the customer must pay for the availability of water service, including an amount of usage, as specified in the Company's tariffs.
22. **Minimum Delivery Pressure:** 20 pounds per square inch gauge at the meter or point of delivery.
23. **Permanent Customer:** A customer who is a tenant or owner of a service location who applies for and receives permanent water service.
24. **Permanent Service:** Service which, in the opinion of the Company, is of a permanent and established character. The use of water may be continuous, intermittent, or seasonal in nature.
25. **Person:** Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
26. **Point of Delivery:** The point where facilities owned, leased, or under license by a customer to connect to the Company's pipes or at the outlet side of the meter.
27. **Premises:** All of the real property and apparatus employed in a single enterprise or living unit on an integral parcel or land undivided by public streets, alleys or railways.
28. **Residential Subdivision Development:** Any tract of land which has been divided into four or more contiguous lots for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
29. **Residential Use:** Service to customers using water for domestic purposes such as personal consumption, water heating, cooking, clothes washing, and other residential uses, including use in apartment buildings, mobile home parks, and other multi-unit residential buildings.

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CITIZENS  
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30. **Rules:** The regulations set forth in the tariffs which apply to the provision of water service.
31. **Service Area:** The territory in which the Company has been granted a certificate of convenience and necessity and is authorized by the Commission to provide water service.
32. **Service Establishment Charge:** The charges specified in the Company's tariffs which cover the cost of establishing a new account.
33. **Service Line:** A water line that transports water from a common source (normally a distribution main) of supply to the customer's point of delivery.
34. **Service Reconnect Charge:** The charge as specified in the Company's tariffs which must be paid by the customer prior to reestablishment of water service each time the water is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the company's filed rules.
35. **Service Reestablishment Charge:** A charge as specified in the Company's tariffs, for service at the same location where the customer or a member of the customer's immediate family, had ordered a service disconnection within the preceding twelve month period.
36. **Single Family Dwelling:** A house, an apartment, or a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a home.
37. **Tariffs:** The documents filed with the Commission which list the services and products offered by the Company and which set forth the terms, conditions, and a schedule of the rates and charges for those services and products.

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38. **Temporary Service:** Service to premises or enterprises which is temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.
39. **Utility:** The public service corporation providing water service to the public in compliance with state law.

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#### RULE NO. 2 ESTABLISHMENT OF SERVICE

##### A. INFORMATION FROM NEW APPLICANTS

1. The Company may obtain the following minimum information prior to acceptance of an applicant as a customer.
  - a. Name or names of applicant(s).
  - b. Service address or location and telephone number.
  - c. Billing address or location and telephone number, if different than service address.
  - d. Address where service was provided previously.
  - e. Date applicant will be ready for service.
  - f. Indication of whether premises have been supplied with Company service previously.
  - g. Purpose for which service is to be used.
  - h. Indication of whether applicant is owner or tenant of or agent for the premises, and written proof of agency.
2. The Company may require a new applicant for service to appear at the Company's designated place of business to produce proof of identity and sign the Company's application form.
3. Where service is requested by two or more individuals the Company shall have the right to collect the full amount owed to the Company from any one of the applicants.

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#### B. DEPOSITS

1. The Company may require a deposit from any new applicant for service.
2. The Company shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the Company's records.
3. Interest on deposits shall be calculated annually at an interest rate filed by the Company and approved by the Commission in a tariff proceeding. In the absence of such, the interest rate shall be 6%.
4. Interest shall be computed and accrued to the customer's account on an annual basis.
5. Deposits plus accrued interest shall be refunded within thirty (30) days after discontinuance of service when the customer has paid all outstanding amounts due the Company.
6. A separate deposit may be required for each service installed.
7. The amount of a deposit required by the Company shall be determined according to the following terms.
  - a. Residential customer deposits shall not exceed two times the average residential class bill as evidenced by the Company's most recent annual report filed with the Commission.
  - b. Nonresidential customer deposits shall not exceed two and one-half times that customer's estimated maximum monthly bill.
  - c. The Company may review the customer's usage after service has been connected and adjust the deposit amount on the basis of the customer's actual usage.

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8. Deposits will automatically be refunded by the Company after twelve (12) consecutive months during which time the customer has not been delinquent more than three (3) times in a twelve (12) month period, or at the discretion of the Company at any time before service is discontinued. Upon final discontinuance of the use of the service and full settlement of all bills by the customer, any deposit, not previously refunded, with accrued interest, if any, in accordance with the provisions of this policy will be returned to the customer or at the Company's election, it may be applied to the payment of any unpaid accounts of the customer and the balance, if any, returned to the customer.
9. The Company may require a customer to establish or reestablish a deposit if the customer becomes delinquent in the payment of two (2) or more bills within a twelve (12) consecutive month period or has been disconnected for nonpayment during the last twelve (12) months.
10. Deposits shall not prevent the Company from terminating the agreement for service with a customer or suspending service for any failure in the performance of customer obligations under the agreement for service or any violation of the Company's Rules and Regulations.
11. Upon discontinuance of service, the deposit may be applied by the Company toward settlement of the customer's bill.

#### C. GROUNDS FOR REFUSAL OF SERVICE.

1. The Company may refuse to establish service if any of the following conditions exist:
  - a. The applicant has an outstanding amount due for the same class of utility service with the Company, and the applicant is unwilling to make arrangements with the Company for payment.
  - b. A condition exists, or could occur, which in the Company's judgment is unsafe or hazardous to the applicant, the general population, or the Company's personnel or facilities.

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- c. Refusal by the applicant to provide the Company with a deposit.
- d. Customer is known to be in violation of the Company's tariffs filed with the Commission or of the Commissions Rules and Regulations.
- e. Failure of the customer to furnish such funds, service, equipment, and/or rights-of-way necessary to serve the customer and which have been specified by the Company as a condition for providing service.
- f. Applicant falsifies his or her identity for the purpose of obtaining service.

#### D. SERVICE ESTABLISHMENTS, REESTABLISHMENTS, OR RECONNECTION CHARGE

- 1. The Company may make a charge as periodically filed with the Commission for establishment, reestablishment, reconnection or disconnection of utility services.
- 2. Should service be established or disconnected during a period other than regular working hours at the customer's request or cause, the customer may be required to pay an after hours charge. Where the Company's scheduling will not permit the requested service on the same day requested, the customer can elect to pay the after hours charge for the service that day.
- 3. For the purpose of this tariff, service establishments are where the customer's facilities are ready and acceptable to the Company and the Company needs only to install a meter, read a meter, or turn the service on.

#### E. TEMPORARY SERVICE

- 1. Applicants for temporary service may be required to pay the Company, in advance of service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired service.
- 2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.

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- 3. Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of the Company.
- 4. If at any time during the term of the agreement for service the character of a temporary customer's operations changes so that in the opinion of the Company the customer is classified as permanent, the terms of the Company's main extension rules shall apply.

**F. DOUBTFUL PERMANENCY**

When in the Company's opinion, the permanent nature of the customer's requirement for water service is doubtful, the customer shall be required to enter into an agreement with the Company and shall advance the entire cost of construction, including the mains and associated equipment. The agreement shall include provisions for refund upon proof of permanency to the satisfaction of the Company.

**G. SERVICE LOCATION, INFORMATION**

- 1. The Company reserves the right to determine the conditions under which extension will be made. Conditions for service and extending service to the customer will be based upon the following:
  - a. All such installations shall be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.
  - b. Individual customers may be required to have their property corner pins and/or markers installed.
  - c. Where the installation requires more than one meter for service to the premises, each meter pit or box shall be permanently marked (not painted) by the contractor or customer to properly identify the portion of the premises being served.

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The identification shall be the same as the apartment, office, etc., served by that meter. The identifying marking placed on each meter shall be impressed into or raised from a tag of aluminum, brass or other approved non-ferrous metal with minimum 1/4-inch-high letters. This tag must be attached to the meter pit or box. The impression must be deep enough to prevent the identification(s) from being obscured.

#### H. IDENTIFICATION OF PREMISES

The premises to be served by the Company shall be clearly identified by the customer at the time of application. If the service address is not recognized in terms of a commonly used identification system, the customer may be required to provide specific written directions and/or legal descriptions before the Company shall be required to act upon a request for water service.

#### I. SERVICE CALLS OR ESTABLISHMENTS DURING REGULAR HOURS

A service charge shall be made to the customer based upon the time, materials and equipment used by the Company for the following:

1. Interruption caused by the customer's willful act or omission, negligence or failure of customer owned equipment, even though the Company is unable to perform any work beyond the point of delivery.
2. Reconnection of water service to any customer previously disconnected for nonpayment, unlawful use of service, misrepresentation to the Company, unsafe conditions, threats to Company personnel or property, failure to permit safe access, detrimental effects of customer demands on the Company system, failure to establish credit and/or sign an agreement for service, or any other reason authorizing the Company to make such disconnection.

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CITIZENS  
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#### RULE NO. 3 MINIMUM CUSTOMER INFORMATION REQUIREMENTS

##### A. INFORMATION FOR CUSTOMERS

1. The Company shall make available upon customer request not later than sixty (60) days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
  - a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of minimum discharge included in the minimum charge, where applicable
  - b. Rate blocks, where applicable.
  - c. Any adjustment factor(s) or tax impositions, and methods of calculation.
2. The Company shall, to the extent practical, identify the tariff most advantageous to the customer and notify the customer of such prior to service commencement.
3. In addition, the Company shall make available upon customer request not later than sixty (60) days from the date of request a copy of the Company's Rules and Regulations governing:
  - a. Deposits
  - b. Termination of service
  - c. Billing and Collection
  - d. Complaint handling

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4. The Company upon written request of a customer shall not more than once each calendar year, transmit a concise statement of actual consumption by such customer for each billing period during the prior twelve (12) months, unless such data is not reasonably ascertainable.
5. The Company shall inform all new customers of their right to obtain the information specified above.

#### B. INFORMATION REQUIRED DUE TO CHANGES IN TARIFFS

1. The Company shall transmit to affected customers by the most economic means available a concise summary of any change in the Company's tariffs affecting those customers.
2. This information shall be transmitted to the affected customer within sixty (60) days of the effective date of the change.

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#### RULE NO. 4 SERVICE CONNECTIONS AND REESTABLISHMENTS

##### A. PRIORITY AND TIMING OF SERVICE ESTABLISHMENTS

1. After an applicant has complied with the Company's application and deposit requirements and has been accepted for service by the Company, the Company shall schedule that customer for service connection and/or establishment.
2. Service establishments shall be scheduled for completion within five (5) working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishments beyond the five (5) working day limitation.
3. When the Company has made such arrangements to meet with a customer for service establishment purposes and the Company or the customer cannot make the appointment during the prearranged time, the Company shall reschedule the service establishment to the satisfaction of both parties.
4. The Company shall schedule service establishment appointments within a maximum range of four (4) hours during normal working hours, unless another time frame is mutually acceptable to the Company and its customer.
5. Service establishments shall be made only by qualified Company service personnel or persons authorized by the Company.
6. For the purposes of this tariff, establishments are where the customer's facilities are ready and acceptable to the Company and the Company needs only to install or read a meter or turn the service on.

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#### B. SERVICE LINES

1. An applicant for service shall be responsible for the cost of installing all piping up to the meter.
2. An applicant for service shall pay to the Company as a refundable advance in aid of construction a sum for each meter and service line.
3. Except where the refundable advances in aid of construction for meters and service lines have been included in refundable advances in aid of construction for main extensions and thus are refundable pursuant to main extensions contracts approved by the Commission, each advance in aid of construction for a service line or meter shall be repaid by the Company by an annual credit of one-tenth of the amount received, said credit to be applied upon the water bill rendered in November of each year until fully paid, for each service line and meter for which the advance was made, and said credit to commence in the month of November for all such advances received during the preceding calendar year.
4. Where the service is being provided for the first time, the customer shall provide and maintain a private cutoff valve within 8 inches of the meter on the customer's side of the meter, and the Company shall provide a like valve on the Company's side of such meter.
5. The Company may install its meter at the property line or, at the Company's option, on the customer's property in a location mutually agreed upon.
6. Where the meter or service line location on a customer's premises is changed at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his expense in accordance with Company specifications, all piping necessary for relocating the meter, and the Company may charge the actual cost of moving the meter or service line.
7. The customer's piping must be installed in such a manner as to prevent cross-connection or backflow.

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8. The Company shall retain the right to specify the location and size of any meter setting or service connection.

#### C. CUSTOMER PROVIDED EQUIPMENT, SAFETY AND OPERATION

1. Each customer shall be responsible for maintaining all equipment and facilities used for Company services located on his side of the meter in safe operating condition.

#### D. EASEMENTS AND RIGHTS-OF-WAY

1. Each customer shall grant adequate easements and rights-of-way satisfactory to the Company to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easements and rights-of-way shall be grounds for the Company to refuse service.
2. When the Company discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the Company's access to equipment, the Company shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the customer's expense.
3. If it is necessary for the Company to excavate in an easement or right-of-way to extend or repair water facilities, the Company will not be responsible for the cost to replace or repair landscaping, fences, trees, shrubs, structures, etc. placed within the easement or right-of-way.
4. The Company shall at all times have the right of safe ingress and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service.

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#### RULE NO. 5 MAIN EXTENSION AGREEMENTS

##### A. EXTENSIONS OF MAINS AND SERVICES; ADVANCES IN AID OF CONSTRUCTION

1. The Company will supply services for temporary purposes, provided that the Company has water available in excess of the Company's regular needs, and provided the Company has available material and equipment necessary to supply said service. Each applicant for such service must pay in advance, to the Company, the Company's estimate of the cost of labor and materials, less salvage value on removal, for installing and removing such service.
2. An applicant for the extension of mains shall be required to pay the Company, as a refundable advance in aid of construction, before construction is commenced, the estimated reasonable cost of all mains, distribution mains and service mains, including all valves, fittings, meters, other costs and reasonable overheads.
  - a. Upon request by a potential applicant for a main extension, the Company shall prepare, without charge, a preliminary sketch and rough estimates of the cost of installation to be paid by said applicant.
  - b. Any applicant for a collection main extension requesting the Company to prepare detailed plans, specifications, or cost estimates may be required to deposit with the Company an amount equal to the estimated cost of preparation. The Company shall, upon request, make available within forty-five (45) days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed collection main extension. Where the applicant accepts the plans and the Company proceeds with construction of the extension, the deposit shall be credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to include oversizing of facilities to be done at the Company's expense, appropriate details shall be set forth in the plans, specification and cost estimates.

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- c. In the event that additional facilities are required to provide or sustain pressure, storage, or water supply for the new service or services requested, or for existing customers as a consequence of the extension of service, and the cost of the additional facilities is disproportionate to anticipated revenues to be derived from the future customers, the estimated reasonable cost of such additional facilities may be included in refundable advances in aid of construction to be paid to the Company.
3. Refunds of advances shall be made in accord with the following method: the Company shall each year pay to the party making an advance under a main extension agreement, or that party's assigns or other successors in interest where the Company has received notice and evidence of such assignment or succession, an amount equal to ten per centum (10%) of the total gross annual revenue, less any gross receipts or sales taxes and amounts payable to any municipalities or others for treatment and/or transmission of water from each bonafide customer whose service is connected directly to main or extension mains covered by the main extension agreement. Refunds shall not be made for any period after the expiration of ten (10) years from the date of the advance. Refunds shall be made by the Company on or before the 31<sup>st</sup> day of August of each year, covering any refunds owing from water revenues received during the preceding July 1<sup>st</sup> to June 30<sup>th</sup> period. A balance remaining at the end of the ten-year period shall become non-refundable, and the balance not refunded shall be entered as a contribution in aid of construction in the accounts of the Company.
4. The aggregate refunds shall in no event exceed the total of the refundable advances in aid of construction. No interest shall be paid by the Company on any amount advanced. The Company shall make no refunds from any revenues received from any mains or mains, other than customer service mains, leading up to or taking off from the particular main extension covered by the agreement.
5. The Company may, upon approval by the Commission, terminate its obligation to refund a percentage of gross revenues from a main extension by accord and satisfaction of its obligations under the main extension agreement.

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NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING \_\_\_\_\_  
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6. All agreements entered into shall be evidenced by a written agreement, and signed by the Company and all parties advancing the funds for advances in aid, or the duly authorized agents of each.
7. The size, type and quality of materials and of the system, installed location in the ground, and the manner of installation, shall be specified by the Company, and shall accord with the requirements of the Commission or other public agencies having authority therein. The Company may install main extensions of any diameter meeting the requirements of the Commission or any other public agencies having authority over the construction and operation of the water system.
8. All mains, valves, fittings, wells, meters, tanks, and other facilities installed shall be the sole property of the Company, and parties making advances in aid of construction shall have no right, title or interest in any such facilities.
9. The Company, upon written request, shall furnish to any party seeking to enter into a main extension agreement a schedule of the proposed reasonable contract price for such extension of mains, or other facilities. Such schedule shall show a breakdown of the contract prices of materials and costs of installation. Different sizes and types of mains shall be separately stated. Valves, meters, and fittings shall be separately stated or listed as a percentage of total cost. All advances shall be made without provision for profit to the Company but shall include reasonable overheads.
10. The Company shall schedule within reason, new requests for main extension agreements, and for service under main extension agreements, promptly and in the order received.
11. If an applicant for service seeking to enter into a main extension agreement deems the contract price or the time of performance to be unreasonable, he may solicit bids from bonded contractors, provided that all bids shall be submitted by the bid date stipulated by the Company. If a lower bid is obtained, or if a bid is obtained at an equal price and with a more appropriate time of performance, and if such bid contemplates total conformity with the Company's requirements and specifications, the Company shall be required to meet the terms and conditions of the bid proffered, or to enter into a construction contract with the contractor proffering such bid.

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MONTH DAY YEAR MONTH DAY YEAR

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- 12. In the case of disagreement or dispute regarding the application of this rule or any of its several provisions, or where the application of this rule works an injustice or undue hardship upon any party or anticipated party to any agreement hereunder, the party aggrieved may refer the matter to the Commission for hearing and decision in accord with the Rules and Practice and Procedure of the Commission.
- 13. All agreements shall be filed with and approved by the Utilities Division of the Commission. Where agreements for extension of service are not filed and approved, all advances in aid of construction shall be immediately due and payable to any person making such an advance.
- 14. No extensions of facilities shall be made without first having received approval of plans and specifications of such extensions or installations from the Maricopa County Environmental Services Department. A copy of such written approval shall then be filed with the Utilities Division of the Arizona Corporation Commission.

#### B. WRITTEN AGREEMENT REQUIREMENTS

- 1. Each main extension agreement shall include the following information:
  - a. Name and address of applicant(s).
  - b. Proposed service address or location.
  - c. Description of requested service.
  - d. Description and sketch of the requested line extension.
  - e. Itemized cost estimate to include materials, labor, and other costs as necessary.
  - f. Payment terms.
  - g. A clear and concise explanation of any refunding provisions, if applicable.
  - h. Company's estimated start date and completion date for construction of the main extension.

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Vice President and General Manager

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2. Each applicant shall be provided with a copy of the written main extension agreement.

#### C. FINAL COST

1. In the event the Company's actual completed cost is less than the amount advanced by the customer, the Company shall make a refund to the applicant within 90 days after completion of the construction or Company's receipt of invoices related to that construction.
2. In the event the Company's actual completed cost is more than the amount advanced by the customer the Company shall notify the applicant and the applicant shall remit additional funds within 30 days of notification of the actual completed cost. Should the applicant fail to remit additional funds, service may be discontinued to the extension until the actual completed cost is paid in full.

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#### RULE NO. 6 PROVISION OF SERVICE

##### A. COMPANY RESPONSIBILITY

1. The Company shall be responsible for providing potable water to the customer's point of delivery.
2. The Company may, at its option, refuse service until the customer has obtained all required permits and/or inspections indicating that the customer's facilities comply with local construction and safety standards.

##### B. CUSTOMER RESPONSIBILITY

1. Each customer shall be responsible for maintaining all facilities on the customer's side of the point of delivery in safe and efficient manner and in accordance with the rules of the Arizona Department of Environmental Quality, and the prescribed specifications of the Company.
2. Each customer shall be responsible for safeguarding all Company property installed in or on the customer's premises for the purpose of supplying water to that customer.
3. Each customer shall exercise all reasonable care to prevent loss or damage to Company property, excluding ordinary wear and tear. The customer shall be responsible for loss of or damage to Company property on the customer's premises arising from neglect, carelessness, or misuse and shall reimburse the Company for the cost of necessary repairs and replacements.
4. Each customer shall be responsible for payment for any equipment damage resulting from unauthorized breaking of seals, interfering, tampering, or bypassing the Company meter.
5. The customer shall be responsible for notifying the Company of any failure identified in the Company's equipment.

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- 6 Water furnished by the Company shall be used only on the customer's premises and shall not be resold to any other person. During critical water conditions, as determined by the Commission, the customer shall use water only for those purposes specified by the Commission. Disregard of this rule shall be sufficient cause for refusal or discontinuance of service.
- 7 The customer agrees, when accepting service, that no one except Company employees or persons authorized by the Company shall be allowed to operate, remove or replace any Company owned equipment installed on customer's property.
- 8 No person, except an employee or persons acting on behalf of the Company shall alter, remove or make any connection to the Company's meter or service equipment.
- 9 No meter seal may be broken or removed by anyone other than an employee acting on behalf of the Company. However, the Company may give its prior consent to break the seal by an approved plumber employed by a customer when deemed necessary by the Company.
- 10 The customer will be held responsible for any broken seals, tampering, or interfering with the Company's meter(s) or any other Company owned equipment installed on the customer's premises. In cases of tampering with meter installations, interfering with the proper working thereof, or any such tampering, interfering, theft, or service diversion, including the falsification of customer's meter readings, that customer shall be subject to immediate discontinuance of service. The Company shall be entitled to collect from the current customer under the appropriate rate, for all consumption not recorded on the meter as the result of such tampering, or other theft of service, and also any additional security deposits as well as all expenses incurred by the Company for property damages, investigation of the illegal act, and all legal expenses and court costs if necessary.
- 11 The customer will be held liable for any loss or damage occasioned or caused by the customer's negligence, want of proper care or wrongful act or omission on the part of any customer's agents, employees, licensees, or contractors.

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#### C. CONTINUITY OF SERVICE

1. The Company shall make reasonable efforts to supply a satisfactory and continuous level of service. However, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:
  - a. Any cause against which the Company could not have reasonably foreseen or made provision for, i.e., force majeure.
  - b. Intentional service interruptions to make repairs or perform routine maintenance.
  - c. Curtailment.

#### D. SERVICE INTERRUPTIONS

1. The Company shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
2. The Company shall make reasonable provision to meet emergencies resulting from failure of service, and shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
3. In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

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- 4. When the Company plans to interrupt service for more than four (4) hours to perform necessary repairs or maintenance the Company shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers.
- 5. The Commission shall be notified of interruptions in service affecting the entire system or any major division thereof. The interruption of service and cause shall be reported within four (4) hours after the responsible representative of the Company becomes aware of said interruption, by telephone to the Commission, and followed by a written report to the Commission.

**E. MINIMUM DELIVERY PRESSURE**

- 1. The Company shall maintain a minimum standard delivery pressure of 20 pounds per square inch gauge (PSIG) at the customer's meter or point of delivery.

**F. CONSTRUCTION STANDARDS**

- 1. The Company shall construct or cause to be constructed all facilities in accordance with the guidelines established by the Arizona Department of Environmental Quality or its successors, any other governmental agency having jurisdiction thereof, and the Company. Phase construction is acceptable.

**G. ELECTION OF RATE SCHEDULES**

- 1. The Company shall use its best efforts to select the most favorable rate for which the customer is eligible based on available data at the time of application. The Company shall use its best efforts for notifying the customer of the most favorable rate schedule if the class has changed after initial application, and shall not be required to refund the difference in charge under different rate schedules. Upon written application of any material changes in the customer installation, the Company will assist in determining if a change in rate schedule is desirable.

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**RULE NO. 7  
METER READING**

**A. FREQUENCY**

1. Each meter shall be read monthly or as close to the same day of each month a practicable unless otherwise approved by the commission.

**B. MEASURE OF SERVICE**

1. All water delivered by the Company shall be billed upon the basis of metered volume sales, except that the Company may, at its option, provide a fixed charge for the following:
  - a. Temporary service where the water use can be readily estimated.
  - b. Public and private fire protection service.
  - c. Water used for street sprinkling and sewer flushing, when provided for by contract between the Company and the municipality or other local governmental authority.
  - d. Other fixed charge schedules as shall be submitted to and approved by the Commission.
2. When there is more than one meter at a location, the metering equipment shall be so tagged or plainly marked as to indicate the facilities being metered.

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#### C. CUSTOMER REQUESTED REREADS

- 1 The Company shall at the request of the customer reread that customer's meter within ten (10) working days after such request by the customer.
- 2 Any rereads shall be charged to the customer at the rate on file and approved by the Commission, provided that the original reading was not in error. Adjustment for reasonable usage since the original reading was taken shall be considered when determining the original reading.
- 3 When the original reading is found to be in error, the reread shall be at no charge to the customer, given adjustment for reasonable usage since the original reading was taken.

#### D. ACCESS TO CUSTOMER PREMISES

- 1 The Company shall at all times have the right of safe ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.

#### E. METER TESTING AND MAINTENANCE PROGRAM

- 1 The Company shall establish a regular program of meter testing taking into account the following factors:
  - a Size of meter
  - b Age of Meter
  - c Consumption
  - d Characteristics of water

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**F. CUSTOMER REQUESTED METER TESTS**

1. The Company shall test a meter upon customer request, and shall be authorized to charge the customer for such meter test according to the tariff on file and approved by the Commission. However, if the meter is found to over-register by more than three percent (3%), no meter testing fee will be charged to the customer.

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**RULE NO. 8  
BILLING AND COLLECTION**

**A. FREQUENCY AND ESTIMATED BILLS**

1. The Company shall bill monthly for services rendered. Meter readings shall be scheduled for periods of not less than 25 days or more than 35 days, unless otherwise approved by the Commission.
2. If the Company is unable to read the meter on a scheduled meter read date, it will estimate the consumption for the billing period giving consideration to the following factors when applicable:
  - a. The customer's usage during the same month of the previous year
  - b. The amount of usage during the preceding month.
3. After the second consecutive month of estimating the customer's bill for reasons other than severe weather or standard billings practice as approved by the Commission, the Company will attempt to secure an accurate reading of the meter.
4. Failure on the part of the customer to comply with a reasonable request by the Company for access to its meter may lead to the termination of service.
5. Estimated bills will be issued only under the following conditions:
  - a. Failure of a customer who reads his own meter to deliver his meter reading card to the Company in accordance with the requirements of the Company's billing cycle.
  - b. Severe weather conditions which prevent the Company from reading the meter.
  - c. Circumstances that make it dangerous or impossible to read the meter, i.e., locked gates, blocked meters, vicious or dangerous animals, etc.

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d. Other billing cycles as approved by the Commission.

6. Each bill based on estimated usage will indicate that it is an estimated bill.

#### B. COMBINING METERS, MINIMUM BILL INFORMATION

1. Each meter at a customer's premises will be considered separately for billing purposes, and the readings of two or more meters will not be combined.

2. Each bill for residential service will contain the following minimum information:

- a. Date and meter reading at the end of the actual or estimated billing period.
- b. Previous month's actual or estimated meter reading and date.
- c. Billing usage.
- d. Company telephone number.
- e. Customer's name.
- f. Service account number.
- g. Amount due and terms of payment.
- h. Past due amount where appropriate.
- i. Adjustment factor, where applicable.
- j. Privilege, sales or use tax, or any regulatory assessment applicable.
- k. Other approved tariff charges.

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#### C. BILLING TERMS

1. All bills for services are due and payable when rendered. All bills not paid within fifteen (15) days shall be considered delinquent.
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
  - a. The postmark date.
  - b. The mailing date.
3. All delinquent bills shall be subject to the provisions of the Company's termination procedures.
4. All payments shall be made or mailed to the office of the Company.

#### D. APPLICABLE TARIFFS, PREPAYMENT, FAILURE TO RECEIVE, COMMENCEMENT DATE, TAXES

1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
2. The Company shall make provisions for advance payment for services.
3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.

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- 4. Charges for service commence when the service is installed and connection made, whether used or not.
- 5. In addition to the collection of regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, or other imposts based on the gross revenues received by the Company.

**E. METER ERROR CORRECTIONS**

- 1. If any meter after testing is found to be more than three percent (3%) in error, either fast or slow, proper correction between three percent (3%) and the amount of the error shall be made of previous readings, and adjusted bills shall be rendered according to the following terms:
  - a. For the period of three (3) months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three (3) months since the meter shall have been shown to be in error by such test, or
  - b. From the date the error occurred, if the date of the cause can be definitely fixed.
- 2. No adjustment shall be made by the Company except to the customer last served by the meter tested.

**F. INSUFFICIENT FUNDS (NSF) CHECKS**

- 1. The Company shall be allowed to recover a fee, as approved by the Commission, for each instance where the customer tenders payment for service with an insufficient funds check, and require a security deposit equal to that prescribed in Section B, provision 7 of Rule No. 2.
- 2. When the Company is notified by the customer's bank that there are insufficient funds to cover the check tendered for service, the Company may require the customer to make payment in cash, money order, certified check, or other means which guarantee the customer's payment to the Company.

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3. A customer who tenders an insufficient funds check shall in no way be relieved of the obligation to render payment to the Company under the original terms of the bill nor defer the Company's provision for termination of service for nonpayment of bills.
4. No personal checks will be accepted if two (2) NSF checks have been received by the Company within a twelve-month period in payment of any billing.

#### G. DEFERRED PAYMENT PLAN

1. The Company may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for service.
2. Each deferred payment agreement, entered into in writing by the customer and the customer and the Company, due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:
  - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment plan.
  - b. Customer agrees to pay all future bills for service in accordance with the billing and collection tariffs of the Company.
  - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six (6) months.
3. For the purpose of determining a reasonable installment payment schedule under these rules, the Company and the customer shall give consideration to the following conditions:
  - a. Size of the delinquent account.
  - b. Customer's ability to pay.
  - c. Customer's payment history.

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- d. Length of time that the debt has been outstanding.
  - e. Circumstances which resulted in the debt being outstanding.
  - f. Any other relevant factors related to the circumstances of the customer.
4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the Company's scheduled termination date for nonpayment of bills. Customers failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the Company from terminating service for nonpayment.
5. Deferred payment agreements shall be in writing and signed by the customer and an authorized Company representative.
6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
7. If a customer has not fulfilled the terms of a deferred payment agreement, the Company shall have the right to disconnect service pursuant to the Company's termination of service rules and, under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to termination.

#### H. LATE PAYMENT PENALTY

- 1. The Company may include in its tariffs a late payment penalty which may be applied to delinquent bills.
- 2. The amount of the late payment penalty shall be indicated upon the customer's bill when rendered by the Company.
- 3. In the absence of an approved tariff, the amount of the late payment penalty shall not exceed 1 ½ per month of the delinquent bill, applied on a monthly basis.

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#### I. CHANGE OF OCCUPANCY

1. Not less than three (3) working days advance notice must be given in person, in writing, or by telephone at the Company office to discontinue service or to change occupancy.
2. The outgoing party shall be responsible for all utility services provided and/or consumed up to, and including the scheduled turn off date.

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**RULE NO. 9  
TERMINATION OF SERVICE**

**A. NONPERMISSIBLE TERMINATION OF SERVICE**

1. The Company may not disconnect service for any of the reasons stated below.
  - a. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
  - b. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
  - c. Nonpayment of a bill related to another class of water service.
  - d. Failure to pay for a bill to correct a previous underbilling due to a billing error, inaccurate meter reading or meter failure, if the customer and Company agree in writing to payment terms over a reasonable period of time.
  - e. Disputed bills where the customer has complied with the Commission's rules and regulations.

**B. TERMINATION OF SERVICE WITHOUT NOTICE**

1. Company service may be disconnected without advance written notice under the following conditions:
  - a. The existence of an obvious hazard to the safety or health of the consumer, the general population, Company personnel or facilities.
  - b. The Company has evidence of meter tampering or fraud.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriss, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 43  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

- c. Unauthorized resale or use of utility services.
  - d. Failure of a customer to comply with the curtailment procedures imposed by a utility during supply shortages.
2. The Company shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the Company.
3. The Company shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one (1) year and shall be available for inspection by the Commission.

#### C. TERMINATION OF SERVICE WITH NOTICE

1. The Company may disconnect service to any customer for any reason stated below, provided the Company has met the notice requirements established by the Commission.
- a. Customer violation of any of the Company's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
  - b. Failure of the customer to pay a delinquent bill for water service.
  - c. Failure to meet or maintain the Company's credit and deposit requirements.
  - d. Failure of the customer to provide the Company reasonable access to its equipment and property.
  - e. Customer breach of a written contract for service between the Company and customer.
  - f. When necessary for the Company to comply with an order of any governmental agency having such jurisdiction.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO.  
SHEET NO.

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Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

- g. The Company may terminate water service to effect sewer service termination when it provides both services to the same customer upon the same premises.
- 2. The Company shall maintain a record of all terminations of service with notice. This record shall be maintained for one (1) year and be available for Commission inspection.

**D. TERMINATION NOTICE REQUIREMENTS**

- 1. The Company shall not terminate service to any of its customers without providing advance written notice to the customer of the Company's intent to disconnect service, except under those conditions specified where advance written notice is not required.
- 2. Such advance written notice shall contain, at a minimum, the following information:
  - a. The name of the person whose service is to be terminated and the address where service is being rendered.
  - b. The Commission rule or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the Company, if applicable.
  - c. The date on or after which service may be terminated.
  - d. A statement advising the customer to contact the Company at a specific address or phone number for information regarding any deferred payment or other procedures which the Company may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

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Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

- e. A statement advising the customer that the Company's stated reason for the termination of service may be disputed by contacting the Company at a specified address and phone number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the Company in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the Company shall retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the customer of his right to file a complaint with the Commission.

**E. TIMING OF TERMINATION WITH NOTICE**

1. The Company shall be required to give at least ten (10) days advance notice prior to termination date.
2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment thereof or in the case of a violation of the Company's rules the customer has not satisfied the Company that such violation has ceased, the Company may then terminate service on or after the day specified in the notice without giving further notice.
4. Service may only be disconnected in conjunction with a personal visit to the premises by an authorized representative of the Company.
5. The Company shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
BOARD  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 46  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

#### F. LANDLORD/TENANT RULE

1. In situations where service is rendered at an address different from the mailing address of the bill or where the Company knows that a landlord/tenant relationship exists and that the landlord is a customer of the Company, and where the landlord as a customer would otherwise be subject to disconnection of service, the Company may not disconnect service until the following actions have been taken:
  - a. Where it is feasible to so provide service, the Company, after providing notice as required in these rules, shall offer the occupant the opportunity to subscribe for service in his or her own name. If the occupant then declines to so subscribe, the Company may disconnect service pursuant to the rules.
  - b. The Company shall not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
S.P.A.W.  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
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CANCELING

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SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

**RULE NO. 10  
ADMINISTRATIVE AND HEARING REQUIREMENTS**

**A. CUSTOMER SERVICE COMPLAINTS**

1. The Company shall make full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.
2. The Company shall respond to the complaint and/or the Commission representative within five (5) working days as to the status of the Company investigation of the complaint.
3. The Company shall notify the complainant and /or the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the Company shall report the findings of its investigation in writing.
4. The Company shall inform the customer of his right of appeal to the Commission should the results of the Company's investigation prove unsatisfactory to the customer.
5. The Company shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:
  - a. Name and address of complainant.
  - b. Date and nature of the complaint.
  - c. Disposition of the complaint.
  - d. A copy of any correspondence between the Company, the customer, and/or the Commission.

This record shall be maintained for a minimum period of one (1) year and shall be available for inspection by the Commission.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr., Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 48

SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Water Service**

RULE NO. 11

**CROSS-CONNECTION & BACKFLOW**

**PURPOSE:**

The purpose of this tariff is to protect Citizens Water Services Company of Arizona (Company) water from the possibility of contamination caused by the backflow of contaminants that may be present on the customer's premises by requiring the installation and periodic testing of backflow prevention assemblies pursuant to the provisions of Rule 4.B.7 and R18-4-115 of the Arizona Administrative Code (A.A.C.)

**REQUIREMENTS:**

In compliance with these Rules and the Arizona Department of Environmental Quality (ADEQ) Rules, specifically Rule 4.B.7 and A.A.C. R18-4-115 relating to backflow prevention.

1. The Company may require a customer to pay for and to have installed a backflow-prevention assemble if A.A.C. R18-4-115.B or C applies;
2. A backflow-prevention assembly required to be installed by the customer under paragraph 1 of this Rule shall comply with the requirements set forth in A.A.C. R18-4-115.D and E.
3. Subject to the provisions of Rule 6 and Rule 9 and in accordance with paragraphs 1 and 7 of this Rule, the Company may terminate service or may deny service to a customer who fails to install a backflow-prevention assembly as required by this Rule.
4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If Rule 9.B.1.a is not applicable, the customer shall be given thirty (30) days in which to comply with this notice. If the customer can show good cause as to why he cannot install the device within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kiess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

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ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
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CANCELING

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Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Water Service

#### CROSS-CONNECTION & BACKFLOW (Cont'd)

5. Testing shall be in conformance with the requirements of A.A.C. R18-4-115.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests. The Company may also require the customer to pay for repairs to a backflow-prevention assembly.
6. The customer shall provide the Company with records of installation and testing for each backflow-prevention assembly, these records shall include:
  - a. assembly identification number and description;
  - b. location;
  - c. date(s) of test(s);
  - d. description of repairs and recommendations for repairs made by tester; and
  - e. the tester's name and certificate number.
7. In the event the backflow-prevention assembly does not function properly or fails any test, and a hazard as contemplated under Rule 9.b.1.a exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested before service is restored.
8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and Rule 9.b.1.a is not applicable, the backflow assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency or dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with Rule 9.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kniess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO.

TOC

SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Sewer Service**

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ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO. 1

SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Sewer Service**

**General Sanitary Sewer Service**

**Availability**

Available for residential and commercial establishments served by Citizens Water Services Company of Arizona

**Monthly Charges**

**Rate**

**Residential**

Minimum monthly charge per dwelling unit per month \$16.00

**Usage Charge**

For up to the first 7 thousand gallons of water usage per unit per month \$2.00 per 1,000 gallons

**Small Commercial Users**

Available to commercial establishments with meters 1" or smaller which are not Large Commercial Users

Minimum Monthly charge per commercial unit per month for meters up to 1" in size

**Meter Size**

5/8" X 3/4"

1"

\$16.00

32.00

**Usage Charge**

For 5/8" X 3/4" meters for up to the first 10 thousand gallons of water usage per unit per month; for 1" meters for up to the first 25 thousand gallons of water usage per unit per month \$2.00 per 1,000 gallons

ISSUED

MONTH DAY YEAR

EFFECTIVE

MONTH DAY YEAR

ISSUED BY

Fred L. Kriess, Jr.  
NAME OF OFFICER

Vice President and General Manager  
TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Services Company of Arizona  
 (NAME OF COMPANY) CANCELING ORIGINAL SHEET NO. 1a  
 SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
 (NAME OF CITY)

**Sewer Service**

**General Sanitary Sewer Service - (cont'd)**

**Large Commercial Users**

Applicable to large commercial and institutional customers such as educational institutions, nursing homes, hospitals, laundromats, motels, car washes and other high volume water users which meter water used for outdoor irrigation separately from other usage

Monthly charge per meter	\$64.00
Usage charge for all water used	\$2.00 per 1,000 gallons

**Terms and Conditions**

Sewer service provided under this rate schedule is subject to the Company's Rules and Regulations applicable to Sewer Service.

Sewer services under this schedule are for the exclusive use of the customer and sewer services shall not be resold or provided to others.

All rates in this Schedule shall be subject to their proportionate part of any taxes or other governmental imposts which are assessed directly or indirectly on the basis of revenues derived from service under this Schedule, or on the basis of the service provided or the volume of sewage treated or disposed of.

A 1-1/2% late payment penalty will be applied to account balances not paid within 25 days after the postmark date of the bill in accordance with Rule 8 (H).

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
 MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
 NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
 ADDRESS OF OFFICER

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

ORIGINAL

SHEET NO. 2  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Sewer Service**

**Annual Fee for Industrial Discharge Service**

**Availability**

Applicable to all customers covered by the Company's Rule No. 10 "USE OF SANITARY SEWERS BY INDUSTRIAL DISCHARGERS" and whom have entered an Industrial Discharge Service Agreement pursuant to Rule No. 10.

**Rates**

For those customers consuming an amount of water less than or equal to 50,000 gallons per month through one or more water meters to the same facility, inclusive of meters used for irrigation;

\$500.00 per year

For those customers consuming more than 50,000 gallons per month of water through one or more water meters to the same facility, inclusive of meters used for irrigation;

\$1,000.00 per year

**Special Conditions**

Charges shall be non-refundable and shall be assessed in advance each January by the Company by special billing.

For new Customers receiving this service, a prorated charge shall be assessed.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kiess, Jr., Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
S P A W  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
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CANCELING

A.C.C.

SHEET NO. 1  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

**Sewer Service**

**RULES AND REGULATIONS  
APPLICABLE TO  
SEWER SERVICE  
of  
CITIZENS WATER SERVICES COMPANY OF ARIZONA**

Legally named and operating in:

VILLAGES AT DESERT HILLS, MARICOPA COUNTY, ARIZONA

These rules and regulations have been authorized by the Arizona Corporation Commission and are the effective rules and regulations of the aforementioned Company.

Services will be furnished in accordance with these rules and regulations and no officers, employee, or representative of this Company has any authority to write, alter, or amend these rules and regulations or any parts thereof in any respect.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
BOARD  
UTILITIES Decision No.

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of Arizona  
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A.C.C. \_\_\_\_\_

SHEET NO. 2  
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**Sewer Service**

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ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER



Citizens Water Services Company  
of Arizona

(NAME OF COMPANY)

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SHEET NO.  
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Villages at Desert Hills, Maricopa County, Arizona  
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ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
S W A W  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 5  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Sewer Service

#### PRELIMINARY STATEMENT

Citizens Water Services Company of Arizona (hereinafter the "Company") is engaged in the business of supplying sewer service in the County or Counties previously mentioned.

These Rules and Regulations are designed to govern the collection and treatment of sewage in such a manner as will secure to each customer the greatest practical latitude in the utilization of service, consistent with good service to himself and other customers, and with safety to all the public and the Company's employees.

These Rules and Regulations are on file with the Arizona Corporation Commission of the State of Arizona, and copies are available at all Company offices. They are a part of every contract for service and govern all classes of service, except where specific provisions in contracts or schedules modify same. All prior rules, customs or alleged understandings are hereby rescinded. These rules and regulations are available for review by any customers, at any office of the Company.

Rates for sewer service or other services rendered are those on file with the Arizona corporation Commission and are available at the offices of the company providing sewer service.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
S W A W  
UTILITIES Decision No.

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 6  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Sewer Service

#### RULE NO. 1 DEFINITIONS

For the purpose of these rules and regulations, unless the context otherwise requires, the following definitions shall apply:

1. **Advance in aid of Construction:** Funds provided to the Company by the applicant under the terms of a collection main extension agreement the value of which may be refundable.
2. **Applicant:** A person or agency requesting the Company to supply sewer service.
3. **Application:** A request to the Company for sewer service, as distinguished from an inquiry as to the availability or charges for such service.
4. **Arizona Corporation Commission:** The regulatory authority of the State of Arizona having jurisdiction over public service corporations operating in Arizona.
5. **Billing Month:** The period between any two regular billing periods of the Company's service at approximately thirty (30) day intervals.
6. **Billing period:** The time interval between two consecutive billings.
7. **Collection Main:** All sewer pipe, owned, operated, or maintained by the Company which is used for the collection and transportation of sewage, except any service line as defined herein.
8. **Commission:** The Arizona Corporation Commission.
9. **Commodity Charge:** The unit of cost per billed discharge as set forth in the Company's tariffs.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

CANCELING

A.C.C.

SHEET NO. 7  
SHEET NO.

Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Sewer Service

10. Company: Citizens Water Services Company of Arizona
11. Contributions in Aid of Construction: Funds provided to the Company by the applicant under the terms of a collection main extension agreement and/or service connection tariff, the value of which are not refundable.
12. Customer: The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued in his name regardless of the identity of the actual user of the service.
13. Customer Charge: The amount the customer must pay the Company for the availability of sewer service, excluding any amount of discharge, as specified in the Company's tariffs.
14. Day: Calendar day.
15. Main Extension: The mains and ancillary facilities relevant to providing service to additional customers via the extension of the collection system.
16. Minimum Charge: The amount the customer must pay for the availability of sewer service, including an amount of discharge, as specified in the Company's tariffs.
17. Permanent Customer: A customer who is a tenant or owner of a service location who applies for and receives sewer service.
18. Permanent Service: Service which, in the opinion of the Company, is of a permanent and established character. The use of sewer service may be continuous, intermittent, or seasonal in nature.
19. Person: Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
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CITIZENS  
S P A I W  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
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A.C.C.

SHEET NO. 8  
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Villages at Desert Hills, Maricopa County, Arizona  
(NAME OF CITY)

### Sewer Service

20. Point of Collection: The point where pipes owned, leased, or under license by a customer connect to the Company's collection system.
21. Premises: All of the real property and apparatus employed in a single enterprise, or living unit, on an integral parcel of land undivided by public streets, alleys or railways.
22. Residential Subdivision Development: Any tract of land which has been divided into four or more contiguous lots for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
23. Residential Use: Service to customers discharging sewage for domestic purposes.
24. Rules: The regulations set forth in the tariffs which apply to the provision of sewer service.
25. Service Area: The territory in which the Company has been granted a certificate of convenience and necessity and is authorized by the Commission to provide sewer service.
26. Service Establishment Charge: The charge as specified in the Company's Schedule of Rates which covers the cost of establishing a new account.
27. Service line: A sewer line that transports sewage from a customer's point of collection to a common source (normally a collection main) of collection of the Company.
28. Service Reconnect Charge: A charge, as specified in the Company's tariffs, which must be paid by the customer prior to reconnection of sewer service each time the sewer service is disconnected for non-payment or whenever service is discontinued for failure to comply with the Company's filed tariffs.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
UTILITIES Decision No.

Citizens Water Services Company  
of Arizona  
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(NAME OF CITY)

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30. Rules: The regulations set forth in the tariffs which apply to the provision of water service.
31. Service Area: The territory in which the company has been granted a certificate of convenience and necessity and is authorized by the commission to provide water service.
32. Service Establishment Charge: The charges specified in the Company's tariffs which cover the cost of establishing a new account.
33. Service Line: A water line that transports water from a common source (normally a distribution main) of supply to the customer's point of deliver.
34. Service Reconnect Charge: The charge as specified in the Company's tariffs which must be paid by the customer prior to reestablishment of water service each time the water is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the company's filed rules.
35. Service Reestablishment Charge: A charge as specified in the company's tariffs, for service at the same location where the customer or a member of the customer's immediate family, had ordered a service disconnection within the preceding twelve month period.
36. Single Family Dwelling: A house, an apartment, or a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a home.
37. Tariffs: The documents filed with the Commission which list the services and products offered by the Company and which set forth the terms, conditions, and a schedule of the rates and charges for those services and products.

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MONTH DAY YEAR MONTH DAY YEAR

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NAME OF OFFICER TITLE

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CITIZENS  
WATER  
UTILITIES

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**Sewer Service**

**RULE NO.2  
ESTABLISHMENT OF SERVICE**

**A. INFORMATION FROM NEW APPLICANTS**

1. The Company may obtain the following minimum information prior to acceptance of an applicant as a customer.
  - a. Name or names of applicant(s).
  - b. Service address or location and telephone number.
  - c. Billing address or location and telephone number, if different than service address.
  - d. Address where service was provided previously.
  - e. Date applicant will be ready for service.
  - f. Indication of whether premises have been supplied with utility service previously.
  - g. Purpose for which service is to be used.
  - h. Indication of whether applicant is owner or tenant of or agent for the premises, and written proof of agency.
  
2. The Company may require a new applicant for service to appear at the Company's designated place of business to produce proof of identity and sign the Company's application form.
  
3. Where service is requested by two or more individuals the Company shall have the right to collect the full amount owed to the Company from any one of the applicants.

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#### B. DEPOSITS

1. The Company may require a deposit from any new applicant for service.
2. The company shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the Company's records.
3. Interest on deposits shall be calculated annually at an interest rate filed by the Company and approved by the Commission in a tariff proceeding. In the absence of such, the interest rate shall be 6%.
4. Interest shall be computed and accrued to the customer's account on an annual basis.
5. Deposits plus accrued interest shall be refunded within thirty (30) days after discontinuance of service when the customer has paid all outstanding amounts due the Company.
6. A separate deposit may be required for each service installed.
7. The amount of a deposit required by the Company shall be determined according to the following terms.
  - a. Customer deposits shall not exceed two and one-half times that customer's estimated maximum monthly bill.
  - b. The Company may review the customer's discharge after service has been established and adjust the deposit amount based upon the customer's actual discharge.

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MONTH DAY YEAR MONTH DAY YEAR

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15262 North Del Webb Boulevard, Sun City, Arizona 85351  
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CITIZENS  
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8. Deposits will automatically be refunded by the Company after twelve (12) consecutive months during which time the customer has not been delinquent more than three (3) times in a twelve (12) month period, or at the discretion of the Company at any time before service is discontinued. Upon final discontinuance of the use of the service and full settlement of all bills by the customer, any deposit, not previously refunded, with accrued interest, if any, in accordance with the provisions of this policy will be returned to the customer or at the Company's election, it may be applied to the payment of any unpaid accounts of the customer and the balance, if any, returned to the customer.
9. The Company may require a customer to establish or reestablish a deposit if the customer becomes delinquent in the payment of two (2) or more bills within a twelve (12) consecutive month period or has been disconnected for nonpayment during the last twelve (12) months.
10. Deposits shall not prevent the Company from terminating the agreement for service with a customer or suspending service for any failure in the performance of customer obligations under the agreement for service or any violation of the Company's Rules and Regulations.
11. Upon discontinuance of service, the deposit may be applied by the Company toward settlement of the customer's bill.

#### C. GROUNDS FOR REFUSAL OF SERVICE

1. The Company may refuse to establish service if any of the following conditions exist:
  - a. The applicant has an outstanding amount due for the same class of utility service with the Company, and the applicant is unwilling to make arrangements with the Company for payment.
  - b. A condition exists or could occur which in the Company's judgment is unsafe or hazardous to the applicant, the general population, or the Company's personnel or facilities.

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- c. Refusal by the applicant to provide the Company with a deposit.
- d. customer is known to be in violation of the Company's tariffs filed with the Commission or of the Commission's Rules and Regulations.
- e. Failure of the customer to furnish such funds, service, equipment, and/or rights-of-way necessary to service the customer and which have been specified by the company as a condition for providing service.
- f. Applicant falsifies his or her identity for the purpose of obtaining service.

#### D. SERVICE ESTABLISHMENTS, REESTABLISHMENTS, OR RECONNECTION CHARGE

- 1. The Company may make a charge as periodically filed with the Commission for establishment, reestablishment, reconnection or disconnection of utility services.
- 2. Should service be established or disconnected during a period other than regular working hours at the customer's request or cause, the customer may be required to pay an after hours charge. Where the Company's scheduling will not permit the requested service on the same day requested, the customer can elect to pay the after hours charge for the service that day.
- 3. For the purpose of this rule, service establishments are where the customer's facilities are ready and acceptable to the Company and do not require construction on the part of the Company.

#### E. TEMPORARY SERVICE

- 1. Applicants for temporary service may be required to pay the Company, in advance of service establishment, the estimated cost of installing and removing the facilities necessary for furnishing sewer service.

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2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.
3. Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of the Company.
4. If at any time during the term of the agreement for service the character of a temporary customer's operations changes so that in the opinion of the Company the customer is classified as permanent, the terms of the Company's main extension rules shall apply.

#### F. DOUBTFUL PERMANENCY

When in the company's opinion, the permanent nature of the customer's requirement for sewer service is doubtful, the customer shall be required to enter into an agreement with the Company and shall advance the entire cost of construction, including the mains and associated equipment. The agreement shall include provisions for refund upon proof of permanency to the satisfaction of the Company.

#### G. SERVICE LOCATION, INFORMATION

1. The Company reserves the right to determine the conditions under which extension will be made. Conditions for service and extending service to the customer will be based upon the following:
  - a. All such installations shall be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.
  - b. Individual customers may be required to have their property corner pins and/or markers installed.

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#### H. IDENTIFICATION OF PREMISES

The premises to be served by the Company shall be clearly identified by the customer at the time of application. If the service address is not recognized in terms of a commonly used identification system, the customer may be required to provide specific written directions and/or legal descriptions before the Company shall be required to act upon a request for sewer service.

#### I. SERVICE CALLS OR ESTABLISHMENTS DURING REGULAR HOURS

A service charge shall be made to the customer based upon the time, materials and equipment used by the Company for the following:

1. Interruption caused by the customer's willful act or omission, negligence or failure of customer owned equipment, even though the Company is unable to perform any work beyond the point of delivery.
2. Reconnection of sewer service to any customer previously disconnected for nonpayment, unlawful use of service, misrepresentation to the Company, unsafe conditions, threats to Company personnel or property, failure to permit safe access, detrimental effects of customer demands on the Company system, failure to establish credit and/or sign an agreement for service, or any other reason authorizing the Company to make such disconnection.

#### J. SERVICE CALLS OR ESTABLISHMENTS AFTER REGULAR HOURS

A service charge, not to exceed the actual cost of the employee's time and the materials and equipment used by the Company, will be imposed for a service call after regular hours for the following:

1. Interruptions caused by the customer's willful act or omission, negligence or failure of customer owned equipment, even though the Company is unable to perform any work beyond the point of delivery. The Company shall make reasonable effort to advise the customer about the possibility of such charges before the service call starts.

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2. Reconnection of sewer service to any customer previously disconnected for nonpayment, unlawful use of service, misrepresentation to the Company, unsafe conditions, threats to Company personnel or property, failure to permit safe access, detrimental effects of customer demands on the Company system, failure to establish credit and/or sign an agreement for service or any other reason authorizing the Company to make such disconnection. Such work will be performed only when requested and agreed to by the customer.

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B S A S W  
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#### RULE NO. 3 MINIMUM CUSTOMER INFORMATION REQUIREMENTS

##### A. INFORMATION FOR CUSTOMERS

1. The Company shall make available upon customer request not later than sixty (60) days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
  - a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of minimum discharge included in the minimum charge, where applicable.
  - b. Rate calculation, including where applicable, computations based upon seasonal or annual water usages.
  - c. Any adjustment factor(s) or tax impositions, and methods of calculation.
2. The Company shall, to the extent practical, identify the tariff most advantageous to the customer and notify the customer of such prior to service commencement.
3. In addition, the Company shall make available upon customer request not later than sixty (60) days from the date of request a copy of the Company's Rules and Regulations concerning:
  - a. Deposits
  - b. Termination of service
  - c. Billing and Collection
  - d. Complaint handling
4. The Company shall inform all new customers of their right to obtain the information specified above.

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MONTH DAY YEAR MONTH DAY YEAR

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**B. INFORMATION REQUIRED DUE TO CHANGES IN TARIFFS**

1. The Company shall transmit to affected customers by the most economic means available a concise summary of any change in the Company's tariffs affecting those customers.
2. This information shall be transmitted to the affected customer within sixty (60) days of the effective date of the change.

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#### RULE NO. 4 SERVICE CONNECTIONS AND REESTABLISHMENTS

##### A. PRIORITY AND TIMING OF SERVICE ESTABLISHMENTS

1. After an applicant has complied with the Company's application and deposit requirements and has been accepted for service by the Company, the Company shall schedule that customer for service connection and/or establishment.
2. Service establishments shall be scheduled within five (5) working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishments beyond the five (5) working day limitation.
3. When the Company has made such arrangements to meet with a customer for service establishment purposes and the company or the customer cannot make the service establishment to the satisfaction of both parties.
4. The Company shall schedule service establishment appointments within a maximum range of four (4) hours during normal working hours, unless another time frame is mutually acceptable to the Company and the customer.
5. Service establishments shall be made only by qualified Company service personnel or persons authorized by the Company.
6. For the purposes of this rule, establishment of service takes place only when the customer's facilities are ready and acceptable to the Company.

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**B. SERVICE LINES**

1. An applicant for service shall be responsible for the cost of installing all plumbing up to the applicant's property line. In addition, the applicant is responsible for the proper grade or leveling of the service line so that it conforms with the collection system of the Company.
2. An applicant for service shall pay to the Company as a refundable advance in aid of construction a sum for each service line.
3. Except where the refundable advances in aid of construction for service lines have been included in refundable advances in aid of construction for main extensions and thus are refundable pursuant to main extension contracts approved by the Commission, each advance in aid of construction for a service line shall be repaid by the Company by an annual credit of one-tenth of the amount received, said credit to be applied upon the sewer bill rendered in November of each year until fully paid, for each service line for which the advance was made, and said credit to commence in the month of November for all such advances received during the preceding calendar year.
4. Where the service line location on a customer's premises is changed at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his expense in accordance with Company specifications, all piping necessary for relocating the service line and the Company may charge the actual cost of moving the service line.
5. The customer's piping must be installed in such a manner as to prevent cross-connection or backflow to the domestic water system.
6. The customer shall design and install all plumbing in accord with existing plumbing codes.
7. The Company shall retain the right to specify the location and size of any service connection.

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MONTH DAY YEAR

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#### C. CUSTOMER PROVIDED EQUIPMENT, SAFETY AND OPERATION

- 1 Each customer shall be responsible for maintaining all equipment and facilities used for Company services located on his side of the point of collection in safe operating condition.

#### D. EASEMENTS AND RIGHTS-OF-WAY

- 1 Each customer shall grant easements and rights-of-way satisfactory to the Company to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easements and rights-of-way shall be grounds for the Company to refuse service.
- 2 When the Company discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the Company's access to equipment, the Company shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the customer's expense.
- 3 If it is necessary for the Company to excavate in an easement or right-of-way to extend or repair sewer facilities, the Company will not be responsible for the cost to replace or repair landscaping, fences, trees, shrubs, structures, etc. placed within the easement or right-of-way.
- 4 The Company shall at all times have the right of safe ingress and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service.

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MONTH DAY YEAR MONTH DAY YEAR

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NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
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**(NAME OF CITY)**

**Sewer Service**

**RULE NO. 5  
COLLECTION MAIN EXTENSION AGREEMENTS**

**A. EXTENSIONS OF MAINS AND SERVICES; ADVANCES IN AID OF CONSTRUCTION**

1. The Company will supply services for temporary purposes, provided that the Company has capacity available in excess of the Company's regular needs, and provided the Company has available material and equipment necessary to supply said service. Each applicant for such service must pay in advance, to the Company, the Company's estimate of the cost of labor and materials, less salvage value on removal, for installing and removing such service.
  
2. An applicant for the extension of mains or services shall be required to pay the Company, as a refundable advance in aid of construction, before construction is commenced, the estimated reasonable cost of all mains, service pipe lines, fittings, other costs and reasonable overheads.
  - a. Upon request by a potential applicant for a collection main extension, the Company shall prepare, without charge, a preliminary sketch and rough estimates of the cost of installation to be paid by said applicant.
  
  - b. Any applicant for a collection main extension requesting the Company to prepare detailed plans, specifications, or cost estimates may be required to deposit with the Company an amount equal to the estimated cost of preparation. The Company shall, upon request, make available within forty-five (45) days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed collection main extension. Where the applicant accepts the plans and the Company proceeds with construction of the extension, the deposit shall be credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to include oversizing of facilities to be done at the Company's expense, appropriate details shall be set forth in the plans, specification and cost estimates.

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**ISSUED BY** Fred L. Kriess, Jr. Vice President and General Manager  
                                           
**NAME OF OFFICER TITLE**

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- c. In the event that additional facilities are required to provide or sustain service for the new service or services requested, or for existing customers, and the cost of the additional facilities is disproportionate to anticipated revenues to be derived from future customers using these facilities, the estimated reasonable cost of such additional facilities may be included in refundable advances in aid of construction to be paid to the Company.
3. Refunds of advances shall be made in accord with the following method: the Company shall each year pay to the party making an advance under a main extension agreement, or that party's assigns or other successors in interest where the Company has received notice and evidence of such assignment or succession, an amount equal to ten per centum (10%) of the total gross annual revenue, less any gross receipts or sales taxes and amounts payable to any municipalities or others for treatment and/or transmission of sewage, from each bonafide customer whose service is connected directly to main or extension lines covered by the main extension agreement. Refunds shall not be made for any period after the expiration of ten (10) years from the date of the advance. Refunds shall be made by the Company on or before the 31<sup>st</sup> day of August of each year, covering any refunds owing from sewage revenues received during the preceding July 1<sup>st</sup> to June 30<sup>th</sup> period. A balance remaining at the end of the ten-year period shall become non-refundable, and the balance not refunded shall be entered as a contribution in aid of construction in the accounts of the Company.
  4. The aggregate refunds shall in no event exceed the total of the refundable advances in aid of construction. No interest shall be paid by the Company on any amounts advanced. The Company shall make no refunds from any revenue received from any lines, other than customer service lines, leading up to or taking off from the particular main or line extension covered by the agreement.
  5. The Company may, upon approval by the Commission, terminate its obligation to refund a percentage of gross revenues from a line extension by accord and satisfaction of its obligations under the line extension agreement.
  6. All agreements entered into shall be evidenced by a written agreement, and signed by the Company and the parties advancing the funds for advances in aid, or the duly authorized agents of each.

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7. The size, design, type and quality of materials and of the system, installed location in the ground, and the manner of installation, shall be specified by the Company, and shall accord with the requirements of the Commission or other public agencies having authority therein. The company may install line extensions of any size meeting the requirements of the Commission or any other public agencies having authority over the construction and operation of the sewer system.
8. All facilities installed shall be the sole property of the Company, and parties making advances in aid of construction shall have no right, title or interest in any such facilities.
9. The Company, upon written request, shall furnish to any party seeking to enter into a line extension agreement a schedule of the proposed reasonable contract price for such extension of mains, or other facilities. Such schedule shall show a breakdown of the contract prices of materials and costs of installation. Different sizes and types of pipes shall be separately stated. Other facilities shall be separately stated or listed as a percentage of total cost. All installations shall be made without provision or profit to the Company but shall include reasonable overheads.
10. The Company shall schedule within reason all new requests for line extension agreements, and for service under line extension agreements, promptly and in the order received.
11. If an applicant for service seeking to enter into a line extension agreement deems the contract price or the time of performance to be unreasonable, he may solicit bids from bonded contractors, provided that all bids shall be submitted by the bid date stipulated by the Company. If a lower bid is thus obtained, or if a bid is obtained at an equal price and with a more appropriate time of performance, and if such bid contemplates total conformity with the Company's requirements and specifications, the Company shall be required to meet the terms and conditions of the bid proffered, or to enter into a construction contract with the contractor proffering such bid.

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MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
WATER  
UTILITIES

Decision No.

Citizens Water Services Company  
of Arizona  
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12. In the case of disagreement or dispute regarding the application of this rule or any of its several provisions, or where the application of this rule works an injustice or undue hardship upon any party or anticipated party to any agreement hereunder, the party aggrieved may refer the matter to the Commission for hearing and decision in accord with the Rules and Practice and Procedure of the Commission.
13. All agreements shall be filed with and approved by the Utilities Division of the Commission. Where agreements for extension service are not filed and approved, all advances in aid of construction shall be immediately due and payable to any person making such an advance.
14. No extensions of facilities shall be made by the Company, or installations made by any applicant, without first having received approval of plans and specifications of such extensions or installations from the Maricopa County Environmental Services Department. A copy of such written approval shall then be filed with the Utilities Division of the Arizona Corporation Commission.

#### B. WRITTEN AGREEMENT REQUIREMENTS

1. Each collection main extension agreement shall, at a minimum, include the following information:
  - a. Name and address of applicant(s).
  - b. Proposed service address or location.
  - c. Description of requested service.
  - d. Description and sketch of the requested main extension.
  - e. Itemized cost estimate to include materials, labor, and other costs as necessary.

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- f. Payment terms.
- g. A clear and concise explanation of any refunding provisions, if applicable.
- h. Company's estimated start date and completion date for construction of the collection main extension.

2. Each applicant shall be provided with a copy of the written collection main extension agreement.

#### C. FINAL COST

- 1. In the event the Company's actual completed cost is less than the amount advanced by the customer, the Company shall make a refund to the applicant within 90 days after completion of the construction or Company's receipt of invoices related to that construction.
- 2. In the event the Company's actual completed cost is more than the amount advanced by the customer the Company shall notify the applicant and the applicant shall remit additional funds within 30 days of notification of the actual completed cost. Should the applicant fail to remit additional funds, service may be discontinued to the extension until the actual completed cost is paid in full.

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NAME OF OFFICER

Vice President and General Manager  
TITLE

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**RULE NO. 6  
PROVISION OF SERVICE**

**A. COMPANY RESPONSIBILITY**

1. The Company shall be responsible for the safe conduct and handling of the sewage from the customer's point of collection. The "customer's point of collection" is defined as the tap or connection of the service line to the sewer main.
2. The Company may, at its option, refuse service until the customer has obtained all required permits and/or inspections indicating that the customer's facilities comply with local construction and safety standards.
3. The Company will repair all leaks and remove all stoppages in the main. The property owner is responsible for all leaks and stoppages in the service line and same shall be repaired by him, and if such are not repaired within a reasonable time, the owner will be in violation of these rules and regulations and subject to the penalties thereby imposed, including discontinuance of service. For the case when a portion of the service line is outside the boundary of a parcel of private property, the property owner shall be responsible for all stoppages and the Company shall be responsible for any structural defects or failures (including penetration of tree roots) for that portion of the service line outside private property. In all cases when a problem arises with the service line within the boundaries of the private property, the property owner is solely responsible.

**B. CUSTOMER RESPONSIBILITY**

1. Each customer shall be responsible for maintaining all facilities on the customer's premises in safe operating condition and in accordance with the rules of the Arizona Department of Environmental Quality any local Department of Health and the prescribed specifications of the Company.
2. Each customer shall be responsible for safeguarding all Company property installed in or on the customer's premises for the purpose of supplying sewer service to that customer.

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- 3. Each customer shall exercise all reasonable care to prevent loss or damage to Company property, excluding ordinary wear and tear. The customer shall be responsible for loss of or damage to Company property on the customer's premises arising from neglect, carelessness, or misuse and shall reimburse the Company for the cost of necessary repairs and replacements.
- 4. The customer shall be responsible for notifying the Company of any failure identified in the Company's equipment.
- 5. The customer agrees, when accepting service, that no one except Company employees or persons authorized by the Company shall be allowed to remove or replace any Company owned equipment installed on customer property.
- 6. No person, except an employee or person acting on behalf of the Company shall alter, remove or make any connection to the Company's facilities.
- 7. The customer will be held liable for any loss or damage occasioned or caused by the customer's negligence, want of proper care or wrongful act or omission on the part of any customer agents, employees, licensees, or contractors.

**C. WATERS AND WASTES PROHIBITED TO BE DISCHARGED**

- 1. All customer classifications shall be required to comply with the prohibitions of discharge of certain waters and wastes to the sewer system as contained herein as RULE NO. 6. Non-compliance with these discharge prohibitions shall mean that the customer is in violation of these rules and regulations and subject to the penalties thereby imposed, including discontinuance of service.
- 2. Certain commercial and industrial customers may be subject to more extensive rules and regulations on the types, quantities and characteristics of waters and wastes to be discharged to the sewer system. These rules are contained in Rule No. 10 - "USE OF SANITARY SEWERS BY INDUSTRIAL DISCHARGERS." Significant Industrial Users, users subject to Federal Categorical Pre-Treatment Standards and other users which the Company deems to be regulated by more extensive discharge regulations shall enter into a special "Industrial Discharge Service Agreement" as detailed in Rule No. 10 and shall comply with all the conditions, rules and regulations contained in Rule No. 10.

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3. Neither the customer, applicant, owner, nor any occupant of the premises shall discharge or cause to be discharged into the service line or into the main any of the following described waters or wastes:
- (a) any storm water, surface water, roof run-off, surface drainage, footing or basement drainage, cooling water or unapproved industrial process water;
  - (b) any liquid or vapor having a temperature higher than 150 degrees F;
  - (c) any water or waste which may contain more than one hundred (100) parts per million by weight of fat, oil or grease;
  - (d) any gasoline, naphtha, fuel oil or other flammable or explosive liquid, solid or gas;
  - (e) any garbage that has not been properly shredded through a disposal unit or other shredding device;
  - (f) any ashes, cinders, sand, mud, straw, shavings, metal, glass, tar, wood or any other solid or viscous substance capable of causing obstruction to the sewers, mains or outlets or the proper operation of said sewer system;
  - (g) any water or waste having a toxic or poisonous substance in sufficient quantity so as to constitute a hazard to humans or animals;
  - (h) any noxious or malodorous gas or substance capable of creating a public nuisance;
  - (i) any water or waste containing more than five hundred (500) parts per million by weight of suspended solids as measured in any one grab type sample. The term "suspended solids" as used in this subparagraph shall mean solids that either float on the surface of, or are in suspension in, water, sewage or other liquids and which are removable by laboratory filtering;
  - (j) any water or waste having a "pH" less than 5.0 units or greater than 10.5 units or having any other corrosive property capable of causing damage or hazard to personnel or structures, pipes and equipment of the sewer system. The term "pH" as used in this subparagraph shall mean the logarithm of the reciprocal of the concentration, by weight, of hydrogen ions expressed in grams per liter of solution;

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(k) any water or waste with pollutant concentrations in excess of the following instantaneous maximum effluent limitations as measured in any one grab type sample (expressed in the total form unless otherwise stated; FG/L = Micrograms per Liter, mg/l - Milligrams per Liter):

<u>PARAMETER</u>	<u>EFFLUENT LIMITATION (INSTANTANEOUS MAXIMUM)</u>
Benzene	130 MG/L
Chloroform	420 MG/L
Cyanide (amenable to chlorination)	200 MG/L
Methylene Chloride	4,200 MG/L
Sulfides	0.5 MG/L
Tetrachloroethylene	530 MG/L
Trichloroethylene	700 MG/L

1. Any of the following prohibited substances:

- (a) BHC - Alpha
- (b) BHC - Beta
- (c) BHC - Gamma (Lindane)
- (d) Chrysene
- (e) Heptachlor
- (f) Heptachlor Epoxide
- (g) Phenanthrene
- (h) Polychlorinated Biphenyl Compounds

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#### D. CONTINUITY OF SERVICE

1. The Company shall make reasonable efforts to supply a satisfactory and continuous level of service. However, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuance of service resulting from:
  - a. Any cause against which the Company could not have reasonably foreseen or made provisions for, i.e., force majeure;
  - b. Intentional service interruptions to make repairs or perform maintenance;
  - c. Curtailment.

#### E. SERVICE INTERRUPTIONS

1. The Company shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
2. The Company shall make reasonable provisions to address emergencies resulting from failure of service, and shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
3. In the event of a national emergency or local disaster resulting in disruption of normal service the Company may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
4. When the Company plans to interrupt service for more than four (4) hours to perform necessary repairs or maintenance, the Company shall attempt to inform affected customers, at least 24 hours in advance, of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest time to minimize the inconvenience to the customers of the Company.

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5. The Commission shall be notified of interruptions in service affecting the entire system or any major division thereof. The interruption of service and cause shall be reported within four (4) hours after the responsible representative of the Company becomes aware of said interruption, by telephone to the Commission, and followed by a written report to the Commission.

**F. CONSTRUCTION STANDARDS**

- 1. The design, construction and operation of all sewer plants and collection systems shall conform to the requirements of the Arizona Department of Environmental Quality, any local Department of Health authority or any successor agencies, any other governmental agency having jurisdiction thereof, and the Company. Phase construction is acceptable.
- 2. The Company shall retain the right to specify the type, size and features of the constructed facilities in order to insure high standards of service and to facilitate efficiencies in operation. The Company shall have authority to specify unique manufacturers, models or features (including sole source supplies) to insure system standardization and operational efficiency. Life cycle cost analyses, including capital versus operational costs, shall be used in the process of determining the type, size and features of facilities to be constructed.

**G. ELECTION OF RATE SCHEDULES**

- 1. The Company shall use its best efforts to select the most favorable rate for which the customer is eligible based on available data at the time of application for service. The Company shall use its best efforts for notifying the customer of the most favorable rate schedule if the class has changed after initial application, and shall not be required to refund the difference in charge under different rate schedules. Upon written application of any material changes in the customer installation, the Company will assist in determining if a change in rate schedule is desirable.

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**RULE NO. 7  
BILLING AND COLLECTION**

**A. FREQUENCY**

1. The Company shall bill monthly for services rendered, unless otherwise approved by the Commission.

**B. MINIMUM BILLING INFORMATION**

1. Each bill for residential service will contain the following minimum information:

- a. Billing period
- b. Billed discharge, where applicable
- c. Company telephone number
- d. Customer's name
- e. Service account number
- f. Amount due and terms of payment
- g. Past due amount, where appropriate
- h. Adjustment factor, where applicable
- i. Privilege, sales or use tax, or any regulatory assessment applicable
- j. Other approved tariff charges

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**C. BILLING TERMS**

1. All bills for Company services are due and payable when rendered. All bills not paid within fifteen (15) days shall be considered delinquent.
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
  - a. The postmark date
  - b. The mailing date
3. All delinquent bills shall be subject to the provisions of the Company's termination procedures.
4. All payments shall be made at or mailed to the office of the Company.

**D. APPLICABLE TARIFFS, PREPAYMENT, FAILURE TO RECEIVE, COMMENCEMENT DATE, TAXES**

1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
2. The Company shall make provisions for advance payment for sewer services.
3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.

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4. Charges for service commence when the service is installed and connection made, whether used or not.
5. In addition to the collection of regular rates, each Company may collect from its customers a proportionate share of any privilege, sales or use tax, or other imposts based on the gross revenues received by the Company.

#### E. INSUFFICIENT FUNDS (NSF) CHECKS

1. The Company shall be allowed to recover a fee, as approved by the Commission, for each instance where a customer tenders payment for Company service with an insufficient funds check and require a security deposit equal to that prescribed in Section B, provision 7 of Rule No. 2.
2. When the Company is notified by the customer's bank that there are insufficient funds to cover the check tendered for utility service, the Company may require the customer to make payment in cash, money order, certified check, or other means which guarantee the customer's payment to the Company.
3. A customer who tenders an insufficient funds check shall in no way be relieved of the obligation to render payment to the Company under the original terms of the bill nor defer the Company's provision for termination of service for nonpayment of bills.
4. No personal checks will be accepted if two (2) NSF checks have been received by the Company within a twelve-month period in payment of any billing.

#### F. DEFERRED PAYMENT PLAN

1. The Company may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for service.

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2. Each deferred payment agreement, entered into in writing by the customer and the Company, due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:
  - a. Customer agrees to pay a reasonable amount of the outstanding bills at the time the parties enter into the deferred payment plan.
  - b. Customer agrees to pay all future bills for service in accordance with the billing and collection tariffs of the Company.
  - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six (6) months.
3. For the purpose of determining a reasonable installment payment schedule under these rules, the Company and the customer shall give consideration to the following conditions:
  - a. Size of the delinquent account.
  - b. Customer's ability to pay.
  - c. Customer's payment history.
  - d. Length of time that the debt has been outstanding.
  - e. Circumstances which resulted in the debt being outstanding.
  - f. Any other relevant factors related to the circumstances of the customer.
4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the Company's scheduled termination date for nonpayment of bills. Customers failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the Company from terminating service for nonpayment.

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5. Deferred payment agreements shall be in writing and signed by the customer and an authorized Company representative.
6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
7. If a customer has not fulfilled the terms of a deferred payment agreement, the Company shall have the right to disconnect service pursuant to the Company's termination of service rules and, under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to termination.

#### G. LATE PAYMENT PENALTY

1. The Company may include in its tariffs a late payment penalty which may be applied to delinquent bills.
2. The amount of the late payment penalty shall be indicated upon the customer's bill when rendered by the Company.
3. In the absence of an approved tariff, the amount of the late payment penalty shall not exceed 1 1/2% per month of the delinquent bill, applied on a monthly basis.

#### H. CHANGE OF OCCUPANCY

1. Not less than three (3) working days advance notice must be given in person, in writing, or by telephone at the Company office to discontinue service or to change occupancy.
2. The outgoing party shall be responsible for all utility services provided and/or consumed up to and including the scheduled turn off date.

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#### RULE NO. 8 TERMINATION OF SERVICE

##### A. NONPERMISSIBLE REASONS TO DISCONNECT SERVICE

1. The Company may not disconnect service for any of the reasons stated below:
  - a. Delinquency in payment for services rendered to a prior customer at the premises where services is being provided, except in the instance where the prior customer continues to reside on the premises.
  - b. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
  - c. Nonpayment of a bill related to another class of sewer service.
  - d. Failure to pay for a bill to correct a previous underbilling due to a billing error if the customer and Company agree in writing to payment terms over a reasonable period of time.
  - e. Disputed bills where the customer has complied with the Commissions rules and regulations.

##### B. TERMINATION OF SERVICE WITHOUT NOTICE

1. Utility service may be disconnected without advance written notice under the following conditions:
  - a. The existence of an obvious hazard to the safety or health of the consumer, the general population, Company personnel, or property.
  - b. The Company has evidence of fraud.
  - c. Unauthorized use of utility services.

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2. The Company shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the Company.
3. The Company shall maintain a record of all termination's of service without notice. This record shall be maintained for a minimum of one (1) year and shall be available for inspection by the Commission.

#### C. TERMINATION OF SERVICE WITH NOTICE

1. The Company may disconnect service to any customer for any reason stated below provided the Company has met the notice requirements established by the Commission.
  - a. Customer violation of any of the Company's tariffs filed with the Commission and/or violation of the Commissions rules and regulations.
  - b. Failure of the customer to pay a delinquent bill for utility service.
  - c. Failure to meet or maintain the Company's credit and deposit requirements.
  - d. Failure of the customer to provide the Company reasonable access to its equipment and property.
  - e. Customer breach of a written contract for service between the Company and customer.
  - f. When necessary for the Company to comply with an order of any governmental agency having such jurisdiction.
  - g. The Company may terminate water service to effect sewer service termination when it provides both services to the same customer upon the same premises.
2. The Company shall maintain a record of all termination of service with notice. This record shall be maintained for one (1) year and be available for Commission inspection.

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#### D. TERMINATION NOTICE REQUIREMENTS

1. The Company shall not terminate service to any of its customers without providing advance written notice to the customer of the Company's intent to disconnect service, except under those conditions specified where advance written notice is not required.
2. Such advance written notice shall contain, at a minimum, the following information:
  - a. The name of the person whose service is to be terminated and the address where service is being rendered.
  - b. The Commission rule or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the Company if applicable.
  - c. The date on or after which service may be terminated.
  - d. A statement advising the customer that the Company's stated reason for the termination of service may be disputed by contacting the Company at a specific address or phone number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the Company in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the Company shall retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the customer of his right to file a complaint with the Commission.

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ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

CITIZENS  
S P A W  
UTILITIES

Decision No.

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#### E. TIMING OF TERMINATION WITH NOTICE

1. The Company shall be required to give at least ten (10) days' advance written notice prior to the termination date.
2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment thereof or in the case of a violation of the Company's rules the customer has not satisfied the Company that such violation has ceased, the Company may then terminate service on or after the day specified in the notice without giving further notice.
4. Service may only be disconnected in conjunction with a personal visit to the premises by an authorized representative of the Company.
5. The Company shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.

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**F. LANDLORD/TENANT RULE**

1. In situations where service is rendered at an address different from the mailing address of the bill or where the Company knows that a landlord/tenant relationship exists and that the landlord is the customer of the Company, and where the landlord as customer would otherwise be subject to disconnection of service, the Company may not disconnect service until the following actions have been taken:
  - a. Where it is feasible to so provide service, the Company, after providing notice as required in these rules, shall offer the occupant the opportunity to subscribe for service in his or her own name. If the occupant then declines to so subscribe, the Company may disconnect service pursuant to the rules.
  - b. The Company shall not attempt to recover from a tenant or condition service to tenant upon the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

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**Sewer Service**

**RULE NO. 9  
ADMINISTRATIVE AND HEARING REQUIREMENTS**

**A. CUSTOMER SERVICE COMPLAINTS**

1. The Company shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.
2. The Company shall respond to the complainant and/or the Commission representative within five (5) working days as to the status of the Company investigation of the complaint.
3. The Company shall notify the complainant and/or the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the Company shall report the findings of its investigation in writing.
4. The Company shall inform the customer of his right of appeal to the Commission should the results of the Company's investigation prove unsatisfactory to the customer.
5. The Company shall keep a record of all written service complaints received which shall contain, at a minimum the following data:
  - a. Name and address of complainant
  - b. Date and nature of the complaint
  - c. Disposition of the complaint
  - d. A copy of any correspondence between the Company, the customer, and/or the Commission

This record shall be maintained for a minimum period of one (1) year and shall be available for inspection by the Commission.

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#### RULE NO. 10 USE OF SANITARY SEWERS BY INDUSTRIAL DISCHARGERS

##### A. PURPOSE AND POLICY

This Rule sets forth uniform requirements for industrial discharges into the sanitary sewer system, and also establishes a separate industrial discharge service agreement requirement for industrial users. Implementation of an industrial user pretreatment program is consistent with the Federal Water Pollution Control Act as amended by the Clean Water Act of 1977 (Public Law 95-217) and the general pretreatment regulations contained in Title 40 of the Code of Federal Regulations, Part 403. This program is implemented by Sun City Sewer Company and Citizens Water Services Company of Arizona in order to promote consistent application of pretreatment requirements among their customers, and pursuant to Sun City Sewer Company's agreements with the publicly owned treatment works that receive and treat wastewater collected by it.

##### B. DEFINITIONS

The following words when used in this Rule shall have the following meanings:

Approved Laboratory Procedures - The test procedures for the analysis of Pollutants as prescribed in 40 CFR Part 136, and amendments thereto that are performed by an environmental laboratory licensed by the state pursuant to A.R.S. Section 36-395. Alternative or additional validated analytical methods may be approved by the Company consistent with the requirements of applicable federal regulations.

BOD (biochemical oxygen demand) - The quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory conditions for five (5) days at a temperature of twenty (20) degrees centigrade, expressed in milligrams per liter.

Bypass - The intentional diversion of wastes from any portion of a treatment facility.

Categorical Standards - Those pretreatment standards specifying quantities or concentrations of Pollutants or Pollutant properties which may be discharged to a POTW by Industrial Users in specific industrial categories and which are published in 40 CFR Chapter I, Subchapter N (parts 405-471).

CFR - Code of Federal Regulations.

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COD (chemical oxygen demand) - The quantity of oxygen consumed from a chemical oxidation of inorganic and organic matter present in the water or wastewater, expressed in milligrams per liter.

Cooling Water - The wastewater discharged from any heat transfer system such as condensation, air conditioning, cooling or refrigeration.

Company - Sun City Sewer Company and/or Citizens Water Services Company of Arizona, as applicable.

Composite Sample - A combination of individual samples obtained at regular intervals over a specified time period no longer than twenty-four hours. The volume of each individual sample shall be either proportional to the flow rate during the sample period (flow composite) or constant and collected at equal time intervals during the sample period (time composite) as set forth in the Industrial Discharge Service Agreement.

Composite Sample Quality - The concentration of some parameter tested in a composite sample.

Daily Average Effluent Limitation - The maximum allowable concentration of a Pollutant in the Discharge as measured in a Representative Sample during a sampling day.

Discharge - The addition of any Sewage, Pollutant(s), water or any liquid from any sewer user into the Sewage Collection System.

Domestic User - Any user who discharges only Domestic Wastewater.

Domestic Wastewater - Any water-borne wastes, derived from the ordinary living processes in a residential dwelling unit, of such character as to permit satisfactory disposal, without special treatment, by conventional POTW processes.

Facility - Any establishment or plant producing liquid waste, with or without suspended solids, required to be discharged into the Sewage Collection System.

Free Access - The ability of Company personnel to enter a User's Facility under safe and non-hazardous conditions with a minimum of delay to inspect any and all parts of the User's Facility.

Garbage - Solid wastes from the preparation, cooking, and dispensing of food and from the handling, storage, and sale of produce.

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Grab Sample - An individual sample collected in less than fifteen (15) minutes without regard for flow or time of day.

Grab Sample Quality - The concentration of some parameter tested in a Grab Sample.

Industrial Discharge - Any introduction into the Sewage Collection System of a non-domestic Pollutant which:

- (a) Is produced by a source which would be subject to any Categorical Standards or Pretreatment Requirements if such source were to be discharged to the POTW, or
- (b) Contains any substance or Pollutant for which a discharge limitation or prohibition has been established by any Categorical Standard or Pretreatment Requirement.

Industrial Discharge Service Agreement - The separate agreement required by this Rule between the Company and an individual Industrial User specifying the terms and conditions under which the Industrial User may discharge Industrial Wastes into the Sewage Collection System.

Industrial User - This term includes:

- (a) A source of Industrial Discharge;
- (b) Any nonresidential user of the Sewage Collection System which discharges more than the equivalent strength of 25,000 gallons per day of domestic wastes;
- (c) Any Significant Industrial User;
- (d) A person who has control over the disposal of a waste as described in (a), (b) or (c) above, or
- (e) A person who has the right of possession and control over any property which produces a waste as described in (a), (b), (c) or (d) above.

Industrial Waste - Any liquid, free-flowing waste resulting from any industrial or manufacturing process or from the development, recovery or processing of natural resources, with or without suspended solids, excluding Non-contact Cooling Water or other uncontaminated water.

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Instantaneous Maximum Effluent Limitation - The maximum allowable concentration of a Pollutant in the Discharge at any time as measured in a Grab Sample. In determining compliance, company samples shall not be combined with non-company samples.

Interference - A Discharge which, alone or in conjunction with a Discharge or Discharges from other sources both:

- (a) Inhibits or disrupts the POTW, its treatment processes, or operations, or its sludge processes, use or disposal; and
- (b) Therefore is a cause of a violation of any requirement of any environmentally related permit issued by a governmental entity to the Company or the Cities of Tolleson or Glendale (including an increase in the magnitude or duration of a violation) or of the prevention of sewage sludge use or disposal in compliance with the following statutory provisions and regulations or permits issued thereunder (or more stringent state or local regulations): Section 405 of the Clean Water Act; the Solid Waste Disposal Act (SWDA) (including Title II, more commonly referred to as the Resource Conservation and Recovery Act (RCRA), and including state regulations contained in any state sludge management plan prepared pursuant to Subtitle D of the SWDA); the Clean Air Act; the Toxic Substances Control Act; and the Marine Protection, Research and Sanctuaries Act.

National Pretreatment Standard - Any regulation containing pollutant discharge limits promulgated by the United States Environmental Protection Agency in accordance with Section 307(b) and (c) of the Clean Water Act (33 U.S.C. Section 1317(b) and (c)) which applies to industrial users. This term includes prohibitive discharge limits established pursuant to 40 CFR 403.5.

Non-contact Cooling Water - Cooling Water that does not come into direct contact with any raw material, intermediate product, waste product or finished product.

NPDES Permit - A national pollutant discharge elimination system permit, issued by the EPA or authorized delegatee, which imposes federal standards governing the quality of the treated effluent discharged from the POTW.

Oil and Grease - The measure of oil and grease content of a sample as determined by EPA Method 413.1, Or other equivalent test method approved by the company.

Oil and Grease (TPH) - The measure of petroleum and mineral oil content of a sample as determined by EPA method 418.1, Or other equivalent test method approved by the company.

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Pass Through - A Discharge which exits the POTW into waters of the United States in quantities or concentrations which, alone or in conjunction with a Discharge or Discharges from other sources, is a cause of a violation of any requirement of the POTW NPDES Permit (including an increase in the magnitude or duration of a violation) or which causes or contributes to a violation of an applicable numeric or narrative water quality standard.

Person - Any individual, partnership, co-partnership, firm, company, corporation, association, joint stock company, trust, state, municipality, Indian tribe, political subdivision of the state or federal governmental agency or any other legal entity, including their legal representatives, agents or assigns.

pH - The logarithm of the reciprocal of the concentration of hydrogen ions in grams per liter of solution.

Pollutant - Any dredged spoil, solid waste, incinerator residue, sewage sludge, munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discharged equipment, rock, sand, cellar dirt, or industrial, municipal or agricultural wastes.

Pretreatment - The physical, chemical, biological or other treatment of any Industrial Wastes prior to Discharge to the POTW, for the purpose of:

- (a) Reducing the amount or concentration of any Pollutant;
- (b) Eliminating the Discharge of any Pollutant; or
- (c) Altering the nature of any Pollutant characteristic to a less harmful state.

Pretreatment Requirements - All of the duties or responsibilities imposed upon Industrial Users by this Rule.

POTW (Publicly Owned Treatment Works) - The treatment works, including connecting sewer collection system not owned and/or operated by the Company, which has agreed to provide the Company with Wastewater collection, treatment and disposal services. For purposes of this rule, POTW includes the City of Tolleson Wastewater Treatment Plant and the City of Glendale Wastewater Collection System.

Properly Shredded Garbage - Garbage that has been shredded to such a degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than one-fourth of an inch in any dimension.

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**Representative Sample** - A Composite Sample obtained by flow-proportional sampling techniques where feasible. Where flow-proportional sampling is infeasible, the Company may allow or conduct composite sampling by time-proportional techniques or by averaging one or more Grab Samples. "Representative Sample" does not include a composite sample comprised of both company and non-company samples.

**Sewage** - A combination of water-carried wastes from residences, business buildings, institutions, and industrial establishments, together with such ground, surface, and storm waters as may be incidentally present.

**Sewage Collection System** - All the pipes and conveyances owned and/or controlled by the Company that collects and/or transports sewage for disposal to the POTW or the Company's treatment works.

**Sewage Works** - All facilities for collecting, pumping, treating, and disposing of Sewage, including the Sewage Collection System and the POTW, as defined herein.

**Significant Industrial User** - This term includes:

- (a) Users having Discharges subject to Categorical Standards; and
- (b) Any other User that:
  - (1) discharges an average of twenty-five thousand (25,000) gallons per day or more of Industrial Waste to the Sewage Collection System;
  - (2) contributes Industrial Waste which makes up five percent (5%) or more of the average dry weather hydraulic or organic capacity of the POTW treatment plant(s); or
  - (3) regardless of customer classification, is designated by the Company on the basis that it has a reasonable potential for adversely affecting the POTW's operation or for violating any Pretreatment Requirement.

**Significant Noncompliance** - An Industrial User is in a state of Significant Noncompliance when violations meet one or more of the following criteria:

- (a) Chronic violation of the discharge limits established by this Rule, defined here as those in which sixty-six percent or more of all of the measurements taken during a six-month period exceed (by any magnitude) the Daily Average Effluent Limitation set forth in this Rule for the same pollutant.

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- (b) Technical review criteria (TRC) violations, defined here as those in which thirty-three percent or more of all of the measurements for each Pollutant taken during a six-month period equal or exceed the product of the Daily Average Effluent Limitation set forth in this Rule multiplied by the applicable TRC (TRC= 1.4 for BOD, TSS, fats, oil and grease, and 1.2 for all other pollutants except pH);
- (c) Any other violation of a Pretreatment Requirement that the Company determines has caused alone or in combination with other Discharges, Interference, Pass Through, or endangerment to the health of Sewage Works personnel or general public);
- (d) Any Discharge of a Pollutant that has caused imminent endangerment to human health, welfare or to the environment or has resulted in the POTW's exercise of its emergency authority to halt or prevent such a Discharge;
- (e) Failure to meet, within 90 days after the schedule date, a compliance schedule milestone contained in a permit or enforcement order for starting construction, completing construction, or attaining final compliance;
- (f) Failure to provide, within 30 days after the due date, required reports such as baseline monitoring reports, 90-day compliance reports, periodic self-monitoring reports, and reports on compliance with compliance schedules;
- (g) Failure to accurately report noncompliance; or
- (h) Any other violation or group of violations which the Company determines will adversely affect the operation or implementation of the local pretreatment program.

**Slug Discharge** - Any discharge of a non-routine, episodic nature, including but not limited to an accidental spill or a non-customary batch discharge.

**Standard Industrial Classification (SIC)** - A coded classification of industries based upon economic activity developed by the U.S. Department of Commerce as published in the Standard Industrial Classification Manual, 1972, Office of Management and Budget.

**Standard Methods** - The procedure as described in the most current edition of Standard Methods for the Examination of Water and Wastewater published by the American Health Association, or the most current edition of Manual of Methods for Chemical Analysis of Water and Wastes published by the U.S. Environmental Protection Agency.

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**Total Organic Carbon (TOC)** - The total of all organic compounds expressed in milligrams per liter as determined by the combustion-infrared method prescribed by Approved Laboratory Procedures.

**Total Suspended Solids (TSS)** - Solids measured in milligrams per liter that either float on the surface of or are in suspension in water, Wastewater or other liquids and which are largely removable by a laboratory filtration device, as defined in the Standard Methods.

**Upset** - An exceptional incident in which there is unintentional and temporary noncompliance with Pretreatment Requirements because of factors beyond the reasonable control of the Industrial User, excluding noncompliance due to such factors as operational error, improperly designed or inadequate treatment facilities, lack of preventative maintenance, or careless or improper operation.

**User** - Any person, lot, parcel of land, building, premises, municipal corporation or other political subdivision that discharges, causes or permits the Discharge of Wastewater into the Sewage Collection System.

**Wastewater** - Any liquid or pollutant, including an Industrial Discharge, which is introduced into the Sewage Collection System from any source.

**Zero Industrial Discharge User** - A user that only discharges domestic wastewater or has no discharge, but has significant quantities of hazardous materials or high strength wastes which, if discharged, would be regulated by this rule. Such user may be regulated by requiring it to maintain zero discharge of industrial wastes, allowing only domestic wastewater to be discharged.

#### C. INDUSTRIAL WASTE DISCHARGE REQUIREMENTS

1. Except as provided herein, no Industrial User shall discharge or cause to be discharged any of the following described water or wastes to the Sewage Collection System:
  - a. Any storm water, surface water, ground water, roof run-off, subsurface drainage, Cooling Water or unacceptably treated Industrial Waste;

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- b. Any Discharge at a temperature greater than 150EF as measured at the point of entry into the Sewage Collection System or at a temperature which could inhibit biological activity, cause Interference of mechanical or biological treatment processes, or cause the temperature of the influent at the POTW to exceed 104EF.
- c. Any gasoline, naphtha, fuel oil or other flammable or explosive liquid, solid, or gas.
- d. Any Garbage other than Properly Shredded Garbage.
- e. Any ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastic, wood, grit, such as brick, cement, carbides, or any other solids or viscous substances capable of causing obstruction to the flow in the Sewage Collection System or other Interference with the proper operation of the Sewage Works.
- f. Any water or Wastewater which contains a toxic, poisonous, or corrosive substance in sufficient quantities to cause or have the potential to cause interference with any Sewage treatment process, constitutes hazard to humans or animals, or creates any hazard in the receiving waters of the POTW.
- g. Any water or Wastewater containing any Pollutant released at a flow rate and/or Pollutant concentration that will cause Interference at the POTW or the Company's treatment works.
- h. Any noxious or malodorous gas or substance capable of creating a public nuisance.
- i. Any waste which may contain more than one hundred (100) parts per million by weight of fats, oils, or grease in such quantities so as to require special handling.
- j. Any surface active chemical which would tend to lower the surface tension between liquids, such as between acid and water; any surface active agents used in detergents to cause lathering, the volume or concentration of which would cause excessive foaming in the Sewage Works.
- k. Any water or Wastewater that causes a Pass-Through resulting in the POTW violating any NPDES Permit requirement or that causes an obstruction to the flow in the sewage collection system or other interference with the proper operation of the sewage works. Such wastes include petroleum oil, non-biodegradable cutting oil products, or mineral oil origin in amounts that will cause Interference or Pass Through.

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- l. Any waste having a pH less than 5.0 or greater than 10.5 or having any corrosive or detrimental characteristics that may cause injury or damage to Wastewater treatment or maintenance personnel, structures, equipment, or other physical facilities of the Sewage Works.
- m. For significant industrial users, any water or Wastewater with Pollutant concentrations in excess of the following Daily Average Effluent Limitations (expressed in the total form unless otherwise stated; Fg/l = micrograms per liter, mg/l = milligrams per liter):

<u>PARAMETER</u>	<u>EFFLUENT LIMITATION (daily average)</u>	<u>PARAMETER</u>	<u>EFFLUENT LIMITATION (daily average)</u>
Arsenic	100 Fg/l	Mercury	4.6 Fg/l
Boron	5600 Fg/l	Nickel	5000 Fg/l
Cadmium	47 Fg/l	Oil & Grease (TPH)	100 mg/l
Chromium	1400 Fg/l	Selenium	100 Fg/l
Copper	1700 Fg/l	Silver	500 Fg/l
Cyanide	2000 Fg/l	Sulfides	10.0 mg/l
Lead	500 Fg/l	Zinc	5400 Fg/l

In determining compliance with a daily average effluent limitation, company samples shall not be combined with non-company samples.

- n. When necessary in the opinion of the Company, any Water or Wastewater with BOD or TSS concentrations in excess of the following limits:
- (1) 24-hour average 5-day BOD of 250 ml/l by weight; and
  - (2) Instantaneous Maximum TSS content of 500 ml/l by weight

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o. Any water or wastewater with pollutant concentrations in excess of the following instantaneous maximum effluent limitations (expressed in the total form unless otherwise stated;  $\mu\text{G/L}$  = Micrograms per Liter,  $\text{mg/l}$  = Milligrams per Liter):

<u>PARAMETER</u>	<u>EFFLUENT LIMITATION (INSTANTANEOUS MAXIMUM)</u>
Benzene	130 $\mu\text{G/L}$
Chloroform	420 $\mu\text{G/L}$
Cyanide (amenable to chlorination)	200 $\mu\text{G/L}$
Methylene Chloride	4,200 $\mu\text{G/L}$
Sulfides (dissolved)	0.5 $\text{MG/L}$
Tetrachloroethylene	530 $\mu\text{G/L}$
Trichloroethylene	700 $\mu\text{G/L}$

p. Any of the following prohibited substances:

- (1) BHC - Alpha
- (2) BHC - Beta
- (3) BHC - Gamma (Lindane)
- (4) Chrysene
- (5) Heptachlor
- (6) Heptachlor Epoxide

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

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- (7) Phenanthrene
  - (8) Polychlorinated Biphenyl Compounds
  - q. Any water added for the purpose of diluting a Discharge as a partial or complete substitute for adequate treatment to achieve compliance with a Daily Average Effluent Limitation or other limit established by this Rule.
  - r. Any waste requiring an excessive quantity of chlorine or other chemical compound used for disinfection purpose which would result in an excess of 0.05 mg/l residual at the headworks of the POTW or the Company's treatment works.
  - s. Any waste or dye producing excessive discoloration of Wastewater or POTW's or the Company's treatment works effluent.
  - t. Any quantities of radioactive material wastes.
  - u. Any substance which creates a fire or explosive hazard in the POTW or the Company's treatment works, including but not limited to Discharges with a closed-cup flashpoint of less than 140\_F or 60\_C as determined by the Pensky-Martens Standard D-93-79 or D-93-80, or the Setflash Standard D-3278-78, or an equivalent test method approved pursuant to 40 CFR §§ 260.20 and 260.21.
  - v. Any hauled wastes, including Industrial Wastes.
2. Industrial users are required to meet all applicable local, state, and federal discharge limits for any regulated Pollutant. Upon the effective date of any federal categorical pretreatment standards, as published in 40 CFR Chapter I, Subchapter N, for a particular industrial category or subcategory, the federal standards, if more stringent than the limitations imposed under this rule, shall immediately supersede those limitations.
3. In addition to all other requirements, each Industrial User who discharges an Industrial Discharge into the Sewer Collection System shall also:
- a. Provide all the Pretreatment necessary to comply with Categorical Standards and Pretreatment Requirements;

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
 MONTH DAY YEAR MONTH DAY YEAR

ISSUED BY Fred L. Kness, Jr. Vice President and General Manager  
 NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
 ADDRESS OF OFFICER

Citizens Water Services Company  
of Arizona  
(NAME OF COMPANY)

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- b. Maintain a continuous Discharge record which clearly identifies
- (1) the dates and times of all Industrial Discharges; and
  - (2) the chemical nature, concentration, and volume of all such Industrial Discharges.
- c. Provide the Company with all the same self-monitoring reports and notices that the Industrial User would be required to submit if it discharged directly to the POTW in accordance with the provisions of 40 CFR 403.12. In particular, the Industrial User shall submit to the Company:
- (1) Baseline Monitoring Reports (40 CFR 403.12 (b));
  - (2) Compliance Schedule Progress Reports (40 CFR 403.12 (c));
  - (3) Reports on compliance with Categorical Pretreatment Standard Deadline (40 CFR 403.12 (d));
  - (4) Periodic reports on Continued Compliance (40 CFR 403.12 (e), (H));
  - (5) Notice of potential problems, including Slug Discharges (40 CFR 403.12 (f));
  - (6) Notification of changed Discharge (40 CFR 403.12 (j)); and
  - (7) Notification of hazardous waste Discharge (40 CFR 403.12(p))
- d. Ensure that all reports and any other documents relating to Industrial Discharges are signed by an authorized representative of the Industrial User in accordance with 40 CFR 403.12 (1).
- e. Retain for a minimum of three (3) years any records of monitoring activities and results; such records shall be available for inspection and copying by the company.
- f. Develop a Slug Discharge control plan which outlines discharge practices (including non-routine batch discharges), describes stored chemicals, and contains procedures both to notify the Company immediately of Slug Discharges and to prevent adverse impacts from any accidental spill; and

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MONTH DAY YEAR MONTH DAY YEAR

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15262 North Del Webb Boulevard, Sun City, Arizona 85351  
ADDRESS OF OFFICER

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- g. To the extent necessary, develop in conjunction with the Company a compliance schedule for installation of equipment.
4. An Industrial User shall, at its expense, install such Pretreatment devices or systems necessary to treat Industrial Wastes so as not to cause violation of any Daily Average Effluent Limitation or other limit set forth in this Rule prior to discharge to the Sewage Collection System. Such a Pretreatment system or device may serve to:
- a. Restrict or prevent the discharge of certain Pollutants;
  - b. Distribute over a longer period any peak discharge of Industrial Wastes; and/or
  - c. Reduce the concentration of a Pollutant regulated herein to a level equal to or less than the established discharge limitation.
5. All Pretreatment systems or devices shall be approved by the Company and, if required, the Arizona Department of Environmental Quality (ADEQ). All Pretreatment systems shall require an engineering design and have plans prepared and stamped by an engineer of suitable discipline licensed in the State of Arizona. Plans, specifications, and any other pertinent information relating to proposed preliminary treatment facilities shall be submitted to the Company and to all appropriate regulatory agencies with jurisdiction for review and approval. No construction of such facilities shall begin until such approvals are obtained in writing. Purchase and installation of any required Pretreatment system or device shall be at the expense of the Industrial User.
6. A grease, oil, and sand interceptor shall be provided when necessary, in the opinion of the Company, for the proper handling of liquid wastes containing grease, flammable wastes, sand, and other harmful ingredients in excessive amounts, except that such interceptor shall not be required for a building used for residential purposes. All interceptors shall be of a type and capacity approved by the Company, and shall be so located as to be readily and easily accessible for cleaning and inspection. The Industrial User shall maintain service records for the Company's review showing date of service and type of service performed for each grease, oil, and sand interceptor installed. Such records shall be retained for a minimum of three (3) years.
7. All grease, oil, and sand interceptors shall be purchased, installed, and maintained in continuously efficient operation at the Industrial User's expense.

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MONTH DAY YEAR MONTH DAY YEAR

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- 8. The Company may also require the installation of a pH probe with a recorder at a point prior to any Industrial Discharge entering the Sewage Collection System. This device shall be properly installed and maintained by the Industrial User at its expense.

**D. MAINTENANCE OF FACILITIES**

- 1. Where Pretreatment facilities are provided for any waters or wastes, they shall be maintained continuously in satisfactory and effective operation by the Industrial User at its own expense and subject to inspection by the Company.

**E. MANHOLES**

- 1. When required by the Company, the owner of any property served by a building sewer carrying Industrial Wastes shall install a suitable control manhole in the building sewer to facilitate observation and sampling of wastes. The manhole shall be installed in such a manner as to prevent the Discharge of any storm water, surface water, ground water, roof run off, Cooling Water or unapproved industrial process water. Such a manhole, when required, shall be accessible and safely located and shall be constructed in accordance with plans approved by the Company. The manhole shall be installed by the owner at his expense and shall be maintained by him so as to be safe and accessible at all times. Should the Company determine an existing manhole is suitable for use as a control manhole, the Company shall make such designation and a new control manhole shall not be required.

**F. TESTS AND ANALYSES**

- 1. All tests and analyses of the characteristics of waters and wastes shall be determined in accordance with Approved Laboratory Procedures, and shall be determined at the control manhole provided for in the preceding section and upon Representative Samples taken at such control manhole. All sampling, analyses and flow measurements of Industrial Wastes shall be performed by an independent laboratory or by the laboratory of the Industrial User approved by the Company and licensed by the Arizona Department of Health Services. Prior to submittal to the Company of data developed in the contracted laboratory of an Industrial User, the results shall be certified by a responsible administrative official of the Industrial User.
- 2. Those Industrial Users required to make periodic measurements of flow volumes and constituents shall do so at a frequency and in such a manner as determined by the Company. Measurements to certify the quantities of waste flows and waste constituents reported by Industrial Users will be conducted on a random basis by personnel of the Company.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
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ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
 NAME OF OFFICER TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
 ADDRESS OF OFFICER

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**G. INDUSTRIAL DISCHARGE SERVICE AGREEMENT**

1. Each Industrial User who proposes to begin a new Industrial Discharge or modify an existing Industrial Discharge into the Sewer Collection System shall:
  - a. Submit to the Company a completed Industrial Discharge Questionnaire, the form and content of which will be provided by the Company to the customer.
  - b. Test the proposed Industrial Waste Discharge for the presence of Pollutants for which Daily Average Effluent Limitations are established by this Rule and provide the Company with such test results from an Arizona Department of Health Services licensed laboratory. The proposed Industrial Waste discharge also shall be tested for pH, BOD, and TSS concentration.
  - c. If the Industrial User is a Significant Industrial User, provide such additional information as necessary AND enter into an Industrial Discharge Service Agreement with the Company, substantially in the form attached as Exhibit A to this Rule;
2. Industrial Users in existence upon the effective date of this Rule shall complete and submit an Industrial Discharge Questionnaire for evaluation by the Company within forty-five (45) days after the effective date of this Rule. Significant Industrial Users in existence upon the effective date of this Rule must execute an Industrial Discharge Service Agreement within ninety (90) days of the effective date of this Rule.

**H. PRETREATMENT PROGRAM ENFORCEMENT AND RESPONSE GUIDELINES**

1. The goal of the Pretreatment program is to protect the environment, public, and both Company and POTW workers and to obtain compliance with all applicable laws and regulations by those regulated dischargers into the POTW.
2. Violation of this Rule or of any provision of an Industrial Discharge Service Agreement is cause for termination of service or other appropriate Enforcement Response, as defined below.
3. "Enforcement Response" shall include but is not limited to the following:

ISSUED	_____	EFFECTIVE	_____
	MONTH DAY YEAR		MONTH DAY YEAR

ISSUED BY	Fred L. Kriess, Jr.,	Vice President and General Manager
	NAME OF OFFICER	TITLE

15262 North Del Webb Boulevard, Sun City, Arizona 85351  
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- a. Inspection by the Company of an Industrial User's Facility;
  - b. Notice of violation;
  - c. Increased monitoring and testing;
  - d. Report of violations to City of Tolleson, City of Glendale, ADEQ, and/or EPA;
  - e. Termination of service with notice, pursuant to applicable Arizona Corporation Commission rules;
  - f. Termination of service without notice, pursuant to applicable Arizona Corporation Commission rules; and/or
  - g. Any and all remedies specifically provided in the Industrial Discharge Service Agreement
4. In determining the appropriate Enforcement Response the Company shall consider the following factors:
- a. Consideration of previous compliance history;
  - b. Length of violation;
  - c. Number of violations;
  - d. Seriousness of effects to the Sewage Works;
  - e. Potential effects to the public health; and
  - f. Any other relevant factors.
5. Violation of this rule could result in enforcement or other legal action against the Industrial User by the City of Tolleson, City of Glendale, City of Phoenix, the Arizona Department of Environmental Quality and/or the U.S. Environmental Protection Agency. These entities are authorized by law to impose monetary penalties of up to \$25,000 per day per violation.

ISSUED \_\_\_\_\_ EFFECTIVE \_\_\_\_\_  
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#### I. PUBLICATION OF NONCOMPLIANCE LIST

1. At least annually, the Company, itself or in cooperation with the POTW, shall publish in the largest local newspaper of general circulation a list of all Industrial Users which at any time during the previous twelve (12) month period were in Significant Noncompliance. In addition, the Company shall provide to the POTW all information necessary to reflect Industrial Users subject to this Rule in its annual report to EPA required by 40 CFR 403.12(i).

#### J. LIABILITY OF USER

1. Any residential or commercial user, or Industrial User who causes the discharge of Industrial Wastes which results in damage to either the Tolleson POTW or the Glendale Wastewater Collection System, Interference, Pass Through, Upset, or any other damages resulting in costs to the Tolleson POTW or the Glendale Wastewater Collection System, shall be liable to the City of Tolleson or the City of Glendale, as appropriate, and shall indemnify and hold the Company harmless for all damages occasioned thereby.

#### K. INSPECTION AND MONITORING

1. Industrial Users shall provide the Company with Free Access in order to monitor compliance with Pretreatment Requirements. The Company may, in furtherance of the stated purpose and policy of this Rule:
  - a. Enter the User's premises at reasonable times;
  - b. Inspect generally for compliance;
  - c. Take independent samples;
  - d. Require installation of monitoring equipment; and
  - e. Inspect and copy records.
2. Representatives of the City of Tolleson, the City of Glendale, or the City of Phoenix may accompany the Company in conducting any such inspection and monitoring.

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ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
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**L. ACCESS TO INFORMATION AND CONFIDENTIALITY**

1. Reports, documents, testing and sampling data, and any other information required to be submitted to the Company pursuant to Rule 10 or the Industrial Discharge Service Agreement may be claimed as confidential by the customer, if the customer is able to demonstrate to the satisfaction of the Company that the release of such information would divulge information entitled to protection as trade secrets of the customer. Any claim of confidentiality must be asserted at the time of submission by stamping the words "Confidential Business Information" on each page containing such information. If no claim is made at the time of submission, the company may make the information available to the public without further notice.
2. When requested by the customer, those portions of any reports, documents, testing and sampling data, or other information which are entitled to confidentiality under Paragraph (1) shall not be made available to the public, but shall be made available upon written request to governmental agencies for uses related to the industrial user pretreatment program established by Rule 10
3. Information and data provided to the Company which is effluent data shall upon written request be available to the public.

A copy of the standard Industrial Discharge Service Agreement is displayed on Rule 10, Exhibit A.

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ISSUED BY Fred L. Kriess, Jr. Vice President and General Manager  
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and presenting recommendations for the treatment systems. These reports are currently under review by Citizens and Developer. CH2MHill is expected to issue final reports and recommendations by mid-November of 1997. The remainder of the systems is being planned and designed by Stanley Consultants. Stanley Consultants has prepared draft master plans for the backbone water distribution system, the backbone wastewater collection system, and the effluent reuse and on-site raw water system. These reports have been reviewed by Citizens and Developer. Stanley Consultants is revising the reports to reflect Citizens' comments and concerns. Final reports are expected to be issued in mid-November of 1997.

The following is a status report on required regulatory approvals and a brief description of the water and wastewater systems to be constructed based on the various preliminary reports and discussions between Citizens, Developer and the various consultants. The individual components are subject to change based upon completion of the various reports and analyses currently underway. Additionally, changes may be made based upon the comments which may be received from the reviewing regulatory agencies.

#### **Status of Regulatory Approvals**

Several regulatory approvals are required before necessary facilities can be constructed and water and wastewater services provided to the Project. The regulatory review process is under way with both the Maricopa County Environmental Services Department (MCESD) and the Arizona Department of Environmental Quality (ADEQ). ADEQ has primary responsibility for the "environmental" permits, including the Aquifer Protection Permit and wastewater Reuse Permit. MCESD has primary responsibility for the review of master plans, design reports and facility construction plans and specifications. Ultimately, MCESD will issue required Approvals to Construct and necessary operating permits. Additionally, before the property can be subdivided a Certificate of Assured Water Supply or Designation of Assured Water Supply must be obtained from the Arizona Department of Water Resources (ADWR).

Developer has submitted an application for an Aquifer Protection Permit and a wastewater Reuse Permit to ADEQ. These applications are currently under review. The applications will be amended to replace Developer with TreatCo as the applicant. Additionally, the applications will be amended as required to reflect the final plans for the water and wastewater treatment systems as presented in the final report to be issued by CH2MHill. ADEQ is expected to issue the Aquifer Protection Permit and the wastewater Reuse Permit by July of 1998.

Developer and Citizens have partnered with MCESD to facilitate review and approval of the various water and wastewater systems for the Project. MCESD is a regular participant in weekly engineering review meetings, providing a level of involvement which is designed to insure that the systems will meet all regulatory requirements. Developer and Citizens have also arranged for treatment system manufacturers to meet with MCESD to review potential water and wastewater treatment systems before incorporation into the master plan for the Project. The draft master plans for the water distribution, wastewater collection, and effluent reuse systems have been submitted to MCESD and are currently under review. Additionally, the construction plans and specifications for the Phase I off-site raw water supply system are currently under review by MCESD. Approvals to Construct will be issued by MCESD throughout the life of the project as the individual phases are constructed. Approvals to Construct are expected to be received for all of the Phase I projects by April of 1998.

Developer is preparing an application for a Certificate of Assured Water Supply for Phase I.a. of the Project. This phase consists of approximately 1,250 homes. It is anticipated that DistCo will obtain a Designation of Assured Water Supply to allow development of the remainder of the project. Developer's application for a Certificate of Assured Water Supply is expected to be filed by mid-November of 1998.

## **Citizens Water Resources Company of Arizona ("TreatCo")**

### **1. Off-site raw water supply system Description**

The source of water for the Project is a 100-year water lease for 10,000 acre-feet per year of Colorado River water with the Ak-Chin Indian Community and the United States of America. The Agreement assures 7,500 acre-feet of that water to TreatCo for treatment and sale to DistCo. Water will be delivered from the Colorado River to Phoenix through the Central Arizona Project. A canal turnout, pumping station and an approximately 9-mile, 30-inch diameter pipeline will be constructed to bring water to the water treatment campus located on the project site. Raw water will be stored on-site in two 2-Million Gallon reservoirs. Water will be treated to provide potable water to homes and businesses. Untreated raw water and treated effluent will be delivered directly to golf courses, schools, parks, right-of-ways and other major irrigation demands. A groundwater recharge and recovery system is being investigated to allow storage of surface water and effluent underground for use during peak demands or times of shortage.

### **2. Water Treatment Facility Description**

Potable water will be provided by a water treatment facility designed to produce water which meets or exceeds all regulatory requirements for drinking water. The following major unit processes are expected to be included in the water treatment facility:

- Preoxidation for Iron/Manganese removal.
- Granular or Powdered activated carbon for taste and odor control.
- Microfiltration or ultrafiltration membrane filtration.
- Disinfection.

Initial constructed capacity will be 1 million gallons per day, expandable up to 16 million gallons per day to meet peak day demands. The water treatment facility will be constructed at the approximately 53-acre Water Campus, which will also include raw water storage, the wastewater treatment facility, finished water storage and

pumping and effluent storage and pumping. The Water Campus will include common support buildings, which include: Administration Building (Offices, Control Room, Laboratory, etc.) and Maintenance Building (Garage and Warehousing).

### **3. Wastewater Treatment Facility Description**

Wastewater Treatment will be provided by a facility designed to provide tertiary treatment for the wastewater flow from the Project. Treated effluent will be reused on golf courses and other turf and landscape facilities. Effluent will be treated to meet aquifer water quality standards to allow for recharge of any excess effluent. Major treatment processes will consist of the following:

- Influent pumping.
- Screening.
- Secondary treatment utilizing an activated sludge process.
- Secondary effluent filtration for tertiary treatment.
- Disinfection.

Initial wastewater treatment will be provided by two .250-million-gallon per day package activated sludge plants with microfiltration membrane filtration. These package plants will be replaced by a permanent wastewater treatment facility to be constructed in 1.1 million gallon per day phases to an ultimate capacity of 4.4 million gallon per day to meet average flow requirements. The configuration and technologies of the permanent facility will be determined after review of actual operating data. The wastewater treatment facility will be constructed at the Water Campus.

### **4. Backbone Water Distribution and Wastewater Collection System**

Potable water will be provided through an integrated system of two booster stations, a combination of ground and elevated storage, and an extensive piping network, providing service to four pressure zones. Finished water will be initially stored in an approximately 2 million gallon water storage facility at the Water Campus. Base water demand will be met by delivering water to pressure zones one

and two from the booster station at the Water Campus. Additional storage will be provided by a 5 million gallon underground storage facility located in pressure zone 3. The elevation of the 5 million gallon facility will be sufficient to provide gravity flow to meet peak and fire flow water demands to zone 2 and, through pressure reducing valves, to zone 1. A second booster station located at this storage site will deliver all levels of water demand to pressure zones 3 and 4. Water will be distributed to subdivisions and commercial properties located throughout the four pressure zones in a backbone piping network located primarily in major roadways. Piping will range from 24" diameter to 8" diameter.

The wastewater collection system will operate primarily by gravity using a network of trunk sewers to collect flows from subdivisions and commercial properties. Due to terrain limitations, two small areas will be served by lift station and force main. Trunk sewers ranging in size from 8" diameter to 21" diameter will be located in major roadways and open spaces, providing collection to all areas of the Project.

5. **Effluent Reuse and On-Site Raw Water System Description**

Treated effluent and raw water will be delivered to individual turf irrigators and other large landscape uses through an integrated system of reservoir storage, booster stations, and an extensive piping network. Treated effluent and raw water will be stored at the Water Campus site. From these storage reservoirs, booster stations will distribute water into two separate piping networks. One network is exclusively for use by the golf courses and the community lake, which must use treated effluent as a primary water supply. The other network will serve other users (schools, parks and rights-of-way) which do not require treated effluent as a primary source of water supply.

**Citizens Water Services Company of Arizona ("DistCo")**

**1. Water Distribution System Description**

Each subdivision and commercial development will be served by a looped network of water mains, equipped with fire hydrants and individual services. Pipe sizes will be 12" diameter and below. The systems will receive all water from the backbone distribution system previously described.

**2. Wastewater Collection System Description**

Each subdivision and commercial development will be served by a network of gravity collection mains, equipped with individual services. Pipe size will be primarily 8" diameter. The systems will discharge into the backbone collection system previously described.

**ATTACHMENT "7"**

**CITIZENS' 1996 ANNUAL REPORT**

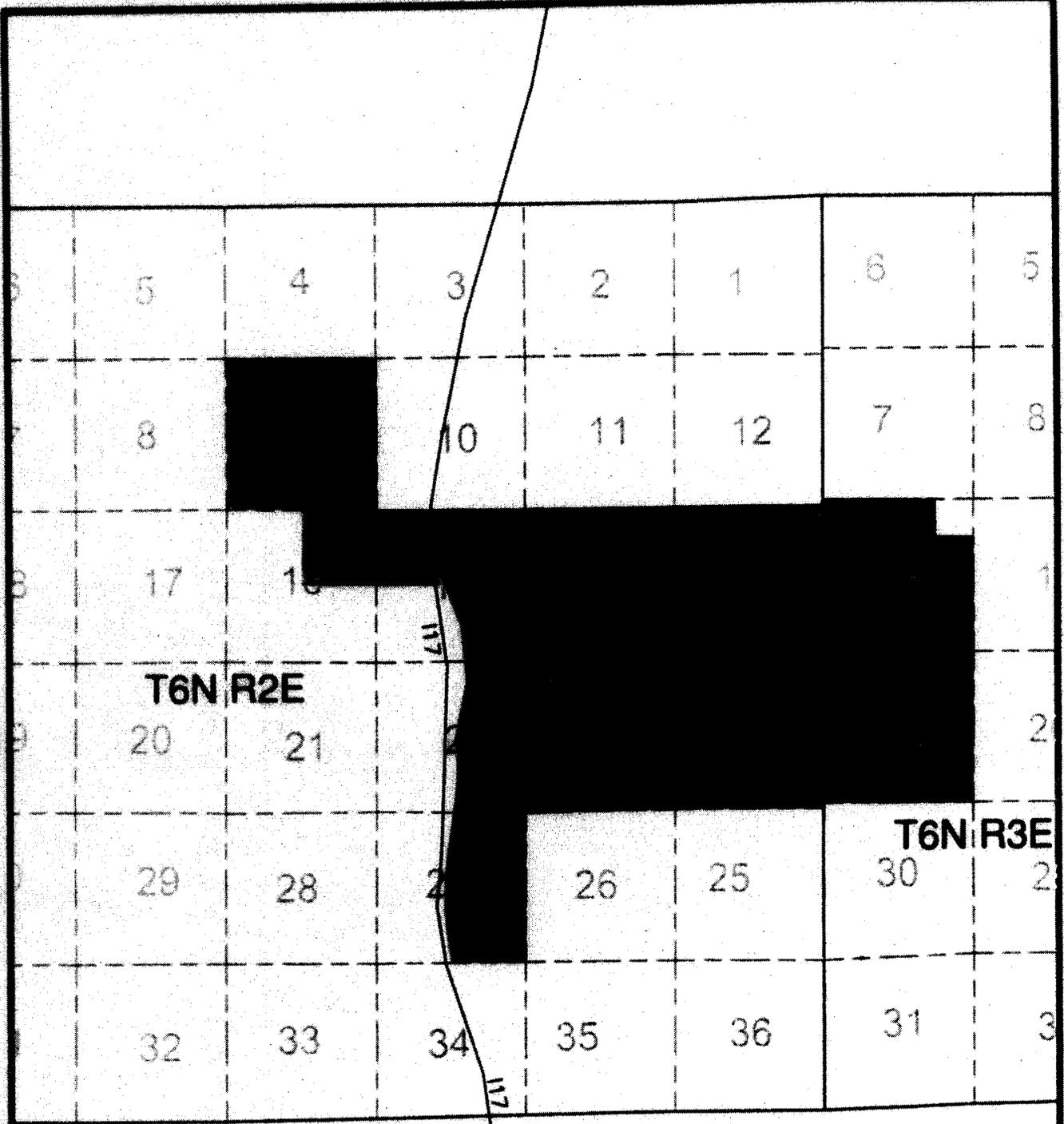
**LOCATED IN THE FRONT POCKET OF BINDER**

**ATTACHMENT "8"**

**COLOR-CODED MAP OF DISTCO'S & TREATCO'S PROPOSED SERVICE AREAS**

100-001-0000

PHOENIX WATER SERVICE COMPANY



**Phoenix**  
▲

**Proposed Certificate of Convenience  
and Necessity for  
Citizens Water Service Company of Arizona**



**ATTACHMENT "9"**

**CITIZENS' AFFILIATES AND THEIR RELATIONSHIP  
WITHIN THE ORGANIZATION**

1000-1004-0004

## CITIZENS ORGANIZATIONAL CHART

21 Subsidiaries (all wholly-owned, except where otherwise indicated)

NAME OF COMPANY	STATE OF INCORPORATION
AAAlert Paging Company	Delaware
Subsidiaries of AAAlert Paging Company:	
AAAlert Paging Company of Sacramento	California
AAAlert Paging Company of San Diego	California
AAAlert Paging Company of San Francisco	California
Citizens Business Services Company	Illinois
Citizens Cable Company	Delaware
Citizens Conference Call Company	Delaware
Citizens Consumers Services, Inc.	California
Citizens Directory Services Company, L.L.C.	Delaware*
Citizens Directory Services Company, Inc.	Delaware
Citizens International Management Services Company	Delaware
Citizens Mohave Cellular Company	Delaware
Citizens Mountain State Telephone Company	West Virginia
Citizens Public Works Service Company	Delaware
Citizens Resources Company	Delaware
Citizens Telecom Services Company, L.L.C.	Delaware*
Citizens Telecommunications Company	Delaware
Citizens Telecommunications Company of Arizona, L.L.C.	Delaware*
Citizens Telecommunications Company of California, Inc.	California
Citizens Telecommunications Company of Idaho	Delaware
Citizens Telecommunications Company of Montana	Delaware
Citizens Telecommunications Company of Nevada	Nevada
Citizens Telecommunications Company of New York, Inc.	New York
Citizens Telecommunications Company of Ogden, Inc.	New York
Citizens Telecommunications Company of Oregon	Delaware

<b>NAME OF COMPANY</b>	<b>STATE OF INCORPORATION</b>
Citizens Telecommunications Company of Tennessee, L.L.C.	Delaware*
Citizens Telecommunications Company of the Golden State	California
Citizens Telecommunications Company of the Navajo Nation, L.L.C.	Delaware*
Citizens Telecommunications Company of the Volunteer State, L.L.C.	Delaware*
Citizens Telecommunications Company of the White Mountains, L.L.C.	Delaware*
Citizens Telecommunications Company of the White Mountains, Inc.	Delaware
Citizens Telecommunications Company of Tuolumne	California
Citizens Telecommunications Company of Utah	Delaware
Citizens Telecommunications Company of West Virginia	Delaware
Citizens Utilities Company of California	California
Citizens Utilities Company of Illinois	Illinois
Citizens Utilities Company of Ohio	Ohio
Citizens Utilities Company of Pennsylvania	Pennsylvania
Citizens Utilities Rural Company	Delaware
Citizens Utilities Water Company of Pennsylvania	Delaware
Citizens Water Resources Company	Illinois
CU CapitalCorp	Delaware
Subsidiary of CU CapitalCorp.	
Electric Lightwave, Inc.	Delaware
Subsidiary of Electric Lightwave, Inc.	
Telecard Services International, Inc.	Delaware
CU Wireless Management, L.L.C.	Delaware*
Electric Energy Export Corporation	Arizona
Flowing Wells, Inc.	Indiana
Havasu Water Company, Inc.	Arizona
Citizens Public Works Service Company of Arizona	Minnesota
LGS Natural Gas Company	Louisiana
LGS Securities, Inc.	Louisiana
Navajo Communications Company, Inc.	New Mexico

<b>NAME OF COMPANY</b>	<b>STATE OF INCORPORATION</b>
NCC Systems, Inc.	Texas
Southwestern Capital Corporation	Delaware
Southwestern Investments, Inc.	Nevada
Sun City Sewer Company	Arizona
Sun City Water Company	Arizona
Sun City West Utilities Company	Arizona
Tubac Valley Water Company, Inc.	Arizona

\* Formed in the State of Delaware.

**ATTACHMENT "10"**

**TREATCO'S ARTICLES OF INCORPORATION AND BYLAWS**

ARIZONA CORPORATION COMMISSION  
CORPORATIONS DIVISION

Phoenix Address: 1300 West Washington  
Phoenix, Arizona 45007-2929

Tucson Address: 400 West Congress  
Tucson, Arizona 85701-1347

**CERTIFICATE OF DISCLOSURE**  
A.R.S. Sections 10-128 & 10-1084

CHECK APPROPRIATE BOX(ES) A OR B  
ANSWER 'C'

Citizens Water Resources Compa  
EXACT CORPORATE NAME of Arizona

THE UNDERSIGNED CERTIFY THAT

A. No persons serving either by election or appointment as officers, directors, incorporators and persons controlling or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Have been convicted of a felony involving a transaction in securities, consumer fraud or an trust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
  - (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
  - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
  - (c) Involved the violation of the an trust or restraint of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in items A.1 through A.3 above, the following information MUST be attached:

1. Full name and prior name(s) used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? Yes \_\_\_ No

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved.
3. State(s) in which the corporation:
  - (a) Was incorporated.
  - (b) Has transacted business.
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency and the file or case number of the case.

Under penalties of law, the undersigned incorporators/officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete.

BY Arvi San Diego DATE 10/1/97 BY \_\_\_\_\_ DATE \_\_\_\_\_

TITLE Associate General Counsel TITLE \_\_\_\_\_

BY \_\_\_\_\_ DATE \_\_\_\_\_ BY \_\_\_\_\_ DATE \_\_\_\_\_

TITLE \_\_\_\_\_ TITLE \_\_\_\_\_

FISCAL DATE: 12/31

ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. (If more than four incorporators, please attach remaining signatures on a separate sheet of paper.)