

ORIGINAL



0000169838

RECEIVED

2016 APR 20 P 2: 50

AZ CORP COMMISSION  
DOCKET CONTROL

**COMMISSIONERS**  
DOUG LITTLE-Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

**BEFORE THE**  
**ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE PETITION OF ) DOCKET NO. W-01445A-14-0305  
ARIZONA WATER COMPANY FOR )  
INCREASE OF AREA TO BE SERVED AT )  
CENTRAL HEIGHTS, ARIZONA )  
) **STATUS UPDATE AND REQUEST FOR**  
) **PROCEDURAL CONFERENCE**  
)  
)

The City of Globe and Arizona Water Company (collectively the "Parties") report that a settlement agreement has been signed, which is attached to this pleading as Attachment A. Both Parties have notified the affected customers via mail and have attached a proposed form of notice that will be placed in the local newspaper of record, which is attached as Attachment B.

The parties would respectfully request a procedural conference to discuss dates of the hearing and any other matters that might arise. The Parties have no objection to holding this procedural conference telephonically.

RESPECTFULLY SUBMITTED this 20<sup>th</sup> day of April 2016

Arizona Corporation Commission

DOCKETED

APR 20 2016

DOCKETED BY 

**Garry D. Hays**  
The Law Offices of Garry D. Hays, PC  
2198 East Camelback Road, Suite 305  
Phoenix, Arizona 85016

*Attorney for City of Globe*

The Law Offices of Garry D. Hays PC  
2198 East Camelback Road, Suite 305  
Phoenix, Arizona 85016

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

ORIGINAL and thirteen (13)  
copies filed on April 20th, 2016 with:

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

Copies of the foregoing  
Mailed/hand delivered on April 20th, 2016 to:

Dwight Nodes  
Chief Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Janice Alward, Esq.  
Chief Council, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Thomas Broderick  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

William J. Sims III  
Sims Murray, Ltd  
2020 N. Central Ave, Ste 670  
Phoenix, Arizona 85004

Steven A. Hirsch, Esq.  
Quarles & Brady LLP  
Two North Central Avenue  
One Renaissance Square  
Phoenix, AZ 85004

By Nicole Wright  
Nicole Wright

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26

The Law Offices of Garry D. Hays PC  
2198 East Camelback Road, Suite 305  
Phoenix, Arizona 85016

# ATTACHMENT A

## SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into by and between Arizona Water Company and all of its representatives, transferees and assigns (collectively, the "Company") and the City of Globe and all of its representatives, transferees and assigns (collectively, the "City") as of this 29<sup>th</sup> day of March, 2016 ("Effective Date"). Collectively, the Company and the City shall be referred to as the "Parties."

### RECITALS

A. On September 20, 1961, the Arizona Corporation Commission (the "Commission") entered Decision No. 33424 in docket number U-1445 (the "Decision"). In the Decision, the Commission awarded the Company a certificate of convenience and necessity ("CCN") to provide public utility water service in certain areas located in Gila County, Arizona.

B. On August 1, 2012, the Company sent the City a Notice of Claim Pursuant to A.R.S. § 12-821.01 claiming the provision of competing water service was in violation of A.R.S. § 9-516 and Arizona law (the "August 1, 2012 Notice of Claim"). The August 1, 2012 Notice of Claim pertains to public utility water service the City provided to customers within the Company's CCN area, as set forth in the Decision, in certain portions of Section 26, Township 1 North, Range 15 East, a portion of which is more commonly known as Arlington Heights. The Company and the City refer to the area encompassed within the August 1, 2012 Notice of Claim as the "Southern Disputed Area." The City provides public utility water service to 48 customers located in the Southern Disputed Area.

C. On June 3, 2014, the Company sent the City a Notice of Claim Pursuant to A.R.S. § 12-821.01 claiming the provision of competing water service was in violation of A.R.S. § 9-516 and Arizona law (the "June 3, 2014 Notice of Claim"), (together with the August 1, 2012 Notice of Claim (the "Notices of Claims"). The June 3, 2014 Notice of Claim pertains to public utility water service the City provided to customers within the Company's CCN area, as set forth in the Decision, adjoining U.S. Highway 60 and near Pinaleno Pass Road, Pinal Creek Road, and the railroad tracks located north of U.S. Highway 60 in certain portions of Section 23, Township 1 North, Range 15 East. The Company and the City refer to the area encompassed within the June 3, 2014 Notice of Claim as the "Northern Disputed Area." The City provides public utility water service to 14 customers located in the Northern Disputed Area, including 12 customers located along U.S. Highway 60 (the "City's U.S. Highway 60 Customers"), the City's wastewater treatment plant (the "WWTP"), and the Rivera Ranch located north of the WWTP.

D. The Parties have agreed to toll the statute of limitations for any action based on the Company's Notices of Claims.

E. On August 18, 2014, the City filed its Petition to Amend Decision 33424 Pursuant to A.R.S. § 40-252 (the "Petition"). In the Petition, the City requested that the Commission amend the Decision to remove the Northern Disputed Area and the Southern Disputed Area from the Company's CCN. In response to the City's Petition, the Commission voted to re-open the Decision so that the Commission could consider the City's request (the "Commission Action"). The Parties have conducted extensive discovery in the Commission Action.

F. The Parties now wish to settle the disputes between them.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and terms contained herein, it is hereby agreed:

### **SECTION ONE** **Operative Terms**

1.1 The Company retains all its CCN area as set forth and described in the Decision. The City hereby acknowledges the Company's CCN areas described in the Decision, including both the Southern Disputed Area and the Northern Disputed Area.

1.2 As of the Effective Date, the City will turn over to the Company all customers in the Southern Disputed Area to which the City provides water service. The Company and the City will cooperate to complete an orderly transition of water service to such customers from the City to the Company. At the conclusion of the transaction, the Company will ensure any City owned water meters or water meter boxes will be returned to the City.

1.3 On the Effective Date, for good and valuable consideration the City will sell and transfer to the Company by bill of sale, attached as Exhibit A, its water distribution infrastructure in the Southern Disputed Area (the "Arlington Infrastructure") and its water distribution infrastructure located along U.S. Highway 60 in the Northern Disputed Area (the "U.S. Highway 60 Infrastructure") (collectively the "Infrastructure") on an "as-is" basis.

1.4 The Arlington Infrastructure the City will sell and transfer to the Company will not include, and the City will retain ownership of: (i) the City's Arlington Heights water storage tank and related appurtenances, (ii) the Arlington Heights water storage tank site, and (iii) a water main that will connect the City's Arlington Heights water storage tank at a point inside the Company's CCN to the City's water system at a point outside of the Company's CCN. The City will construct the water main at its own expense within 12 months of the Effective Date. The Company and the City will cooperate concerning the City's construction of the new water main.

1.5 The U.S. Highway 60 Infrastructure the City will sell and transfer to the Company will not include, and the City will retain ownership of the water meters and meter boxes to serve the City's U.S. Highway 60 Customers and any successors, which customers and their corresponding service connections, water meters, and meter boxes are identified on the attached Exhibit B. In addition, although the WWTP and the Rivera Ranch properties are located in the Northern Disputed Area, the water meters, services, and water mains for the WWTP and the Rivera Ranch, which may be located inside or outside of AWC's CCN area, will remain under the City's ownership and control.

1.6 The City and the Company will cooperate to complete the sale and transfer of the Infrastructure to the Company. The City will provide the Company with all available records, plans, as-built maps, permits, costs, and other information in its possession relating to the Infrastructure. The City will give the Company's engineers and other employees approved by the City access to inspect the Infrastructure and any related plant, property, and appurtenances for the purpose of the transfer of service set forth in paragraph 1.2 and the sale and transfer of the Infrastructure to the Company.

1.7 Upon transfer of the Infrastructure on the Effective Date, the Company will bear all responsibility to operate and maintain the Infrastructure. The Company will also bear all responsibility to construct additional water infrastructure to serve its customers located in its CCN area, including in the Southern Disputed Area and the Northern Disputed Area. The City will remain responsible to maintain and operate its Arlington Heights water tank, the new water line it will construct under the terms of paragraph 1.4, and its water meters and meter boxes for the City's U.S. Highway 60 Customers and all infrastructure needed to provide public utility water service to the WWTP and the Rivera Ranch.

1.8 The City will deliver to the Company sufficient water to allow the Company to serve all of the customers in the Southern Disputed Area until such time as the Company is able to provide water service to the customers directly from its own water production and distribution facilities. Any water the City provides in accordance with this paragraph will be accounted for in accordance with paragraph 5 of the Interconnection Agreement. The City's obligation to provide water to the Company to serve the customers in the Southern Disputed Area will terminate once the Company provides water service to the customers directly from its own water production facilities. The Company will design and construct a booster pump station and water distribution system to connect to the Arlington Infrastructure and otherwise as necessary to serve customers in the Southern Disputed Area at its own expense, including any water distribution infrastructure or services necessary to serve customers north of Blake Street who are served presently from the City's water system. The Company will also sever at its own expense the City's water distribution system from the Arlington Infrastructure. The Company will also redesign its water system at its own expense to provide adequate pressure from the existing transmission main from its well located in the Southern Disputed Area south of the area commonly known as Arlington Heights to the southernmost customers in the Southern Disputed Area, which customers are presently served from the City's water system.

1.9 The Company, at its expense and using the City's contractor Sellers & Sons, Inc., will install: (i) the Company's new 8-inch water main along U.S. Highway 60 west from the Company's CCN boundary (approximately 950 linear feet), and (ii) an upgraded vault and automatic flow control valve at or near the Company's CCN boundary to provide enhanced emergency fire flow to the Company's system along U.S. Highway 60. The Company will perform both of these actions within 12 months of the Effective Date. Additionally, the Company and the City will execute an Interconnection Agreement, in the form attached as Exhibit C, to document these new facilities and their use. In addition, the Company will invest \$250,000 to install 8-inch or larger water mains to serve the Company's system along U.S. Highway 60 within 18 months following the Effective Date.

1.10 To provide for the completion of the Company's new U.S. Highway 60 8-inch water main and upgraded vault and automatic flow control valve, the Company will deposit the following amounts into an escrow account to be established by the Parties: (i) \$297,000 to pay the contractor; (ii) \$8,500 to reimburse the City or its consultants for environmental documentation and permit costs; and (iii) \$29,000 to reimburse the City for its engineering design costs. The escrow account will provide for disbursement of the funds to the contractor, the City, and the City's consultants and an accounting of additional deposits or refunds as necessary. If the City, in accordance with its contract with the contractor for the construction of the new U.S. Highway 60 8-inch water main and upgraded vault and automatic flow control valve, pays the contractor, the escrow account will be used to reimburse the City.

1.11 The Company grants the City a license in the form attached as Exhibit D (the "License"), which the Parties anticipate the Commission will acknowledge or approve in an Order. Except as expressly set forth in this Settlement Agreement and the License, the City acknowledges that it may not serve customers or otherwise provide public utility water service to customers located within the Company's CCN area without first acquiring the Company's plant, system, and business that are used and useful in rendering service to the Company's CCN areas. The Company will provide water up to the meters for the City's U.S. Highway 60 Customers and any successors. The water the City provides to the WWTP and the Rivera Ranch will not be considered part of the water the Parties account for as described in paragraph 1.13.

1.12 Reclaimed water from the WWTP will be the property of the City and the Company will have no rights or obligations in connection to the reclaimed water.

1.13 After the Company moves the location of the new upgraded vault and automatic flow control valve interconnect to the eastern edge of its CCN boundary in the Northern Disputed Area along U.S. Highway 60, the Company will provide to the City an accounting of water delivered to the City's U.S. Highway 60 Customers covered by the License and for public fire-fighting purposes as provided in paragraph 5 of the Interconnection Agreement. In the Southern Disputed Area, until the Company completes construction of a new booster pump station and extension of its water distribution system and the City installs its new water main, the Company will provide to the City an accounting of water delivered to the customers in the Southern Disputed Area as provided in paragraph 5 of the Interconnection Agreement.

1.14 The Parties will submit this Settlement Agreement to the Commission for acknowledgment or approval on such terms and conditions as the Commission may direct. The Parties agree that this Settlement Agreement is effective as of the Effective Date, with or without formal Commission approval, and that the Commission Action will be resolved in accordance with the terms of this Settlement Agreement.

1.15 The Company's Cross-Connection Control Tariff, number CC-258, will apply to the City's U.S. Highway 60 Customers. The Company and the City will coordinate with each other to enforce this tariff, including sharing information and backflow test results. Upon written notice from the Company, the City will in accordance with the City Code disconnect service to any of the City's U.S. Highway 60 Customers if they fail to comply with the Company's Cross-Connection Control Tariff.

1.16 The Parties will take all reasonable steps and execute any additional documents necessary to complete their obligations to each other under this Settlement Agreement.

## SECTION TWO

### Release

2.1 The Company, on behalf of itself, its successors, assigns, agents, representatives, attorneys and all persons acting by, through or under it, for good and valuable consideration, including the consideration referred to in paragraph 2.3, the receipt and adequacy of which is hereby acknowledged, does hereby release and forever discharge the City, its Council members, employees, attorneys, accountants, and other agents acting on its behalf, individually or in their representative or fiduciary capacities, from any and all claims, causes of action in law or in equity, suits, debts, liens, contracts, agreements, promises, liabilities, demands, damages, losses, costs, or expenses of any nature whatsoever, arising out of or related to the provision of water service in the disputed areas prior to the execution of this Settlement Agreement.

2.2 The City, on behalf of itself, its successors, assigns, agents, representatives, attorneys and all persons acting by, through or under it, for good and valuable consideration, including the consideration referred to in paragraph 2.3, the receipt and adequacy of which is hereby acknowledged, does hereby release and forever discharge the Company, its officers, directors, employees, attorneys, accountants, and other agents acting on its behalf, individually or in their representative or fiduciary capacities, from any and all claims, causes of action in law or in equity, suits, debts, liens, contracts, agreements, promises, liabilities, demands, damages, losses, costs, or expenses of any nature whatsoever, arising out of or related to the provision of water service in the disputed area prior to the execution of this Settlement Agreement. As part of this release, the City waives any further right or claim to challenge the Decision.

2.3 As consideration for the Company's acquisition of the Infrastructure, the Company will compensate the City for the full fair value of such water system facilities as follows: (i) payment of \$105,000 cash on the Effective Date of this Settlement Agreement; and (ii) payment of a non-cash amount equal to the difference between the Company's foregoing \$105,000 cash payment and the full fair value of such water system facilities. The amount of such latter payment is deemed to be part of the Company's monetary claims set forth in the Notices of Claims, all of which are compromised hereby and extinguished and released as set forth in Section Two of this Settlement Agreement. The full fair value of the water system facilities will be determined by their cost and in the absence of sufficient historical records, then by an estimate based on an evaluation and appraisal by a qualified Civil Engineer. The results of such evaluation and appraisal will not change the Company's \$105,000 payment to the City.

2.4 The Parties acknowledge that they are resolving in full their claims and disputes with each other, and that the Company's cash and non-cash payment obligations under this Settlement Agreement are in consideration of the value of the claims being released, service obligations incurred, and transfers and conveyances of property and rights provided in this Settlement Agreement. The Parties further acknowledge and agree that the Northern Disputed Area and the Southern Disputed Area are no longer in dispute for purposes of the Franchise Agreement Between Arizona Water Company and the City of Globe, Arizona, dated the 18th day of November, 2014 and approved in the City's Resolution No. 1714 (the "Franchise Agreement"), and that the Franchise Agreement no longer has any exceptions.

2.5 The Parties will each bear their own attorneys fees, costs, and expenses arising out of the matters set forth in this Settlement Agreement, including, but not limited to, the Commission Action, the Notices of Claims, and the negotiation and preparation of this Settlement Agreement.

**SECTION THREE**  
**No Wrongdoing**

3.1 The Parties acknowledge that they deny any wrongdoing whatsoever regarding the subject matter of this Settlement Agreement. This Settlement Agreement is entered into solely for the purpose of compromising disputed claims and avoiding the time and expense of litigation. The Parties expressly understand and agree that nothing in this Settlement Agreement constitutes an admission of any wrongdoing or liability on behalf of the Parties, or their agents, affiliates, partners, assigns, successors, and/or subsidiaries.

**SECTION FOUR**  
**Binding Effect**

4.1 The Parties further agree that this Settlement Agreement, and all of its terms, binds and inures to the benefit of the Parties and their successors and assigns. Each reference to the Company, the City, or the Parties in this Settlement Agreement includes their successors and assigns. The Parties will cooperate in good faith in performing all acts and executing all documents necessary to carry out the terms of this Settlement Agreement.

**SECTION FIVE**  
**Opportunity to Review and Confer with Counsel**

5.1 The Parties have thoroughly reviewed the terms of this Settlement Agreement and represent that they understand its meaning. Each Party has had a full and fair opportunity to confer and receive legal advice from its attorneys with respect to the advisability of entering into this Settlement Agreement and the releases provided herein. Each Party provided its respective attorneys a full and fair opportunity to review this Settlement Agreement and consulted with its respective attorneys regarding the terms contained herein.

**SECTION SIX**  
**Written Modification and Integration**

6.1 The Parties represent and warrant that they are not relying on any promises or representations which do not appear in this Settlement Agreement. The Parties may amend, modify, supplement, or alter this Settlement Agreement only by a writing signed by the Parties. This document is the entire, complete, sole, and only understanding of, by, and between the Parties and there are no independent, collateral, different, additional, or other understandings or agreements, oral or written, or obligations to be performed, things to be done, or payments to be made other than those described herein and no promise, inducement or consideration other than set forth herein has been made or agreed upon.

**SECTION SEVEN**  
**Obligation of Good Faith**

7.1 This Settlement Agreement is made entirely as a compromise and for the purpose of settlement of disputes between the Parties. The Parties acknowledge and agree that this Settlement Agreement is entered into in good faith, will be performed in good faith and has no purpose other than to give effect to its terms and conditions and to compromise, settle and extinguish disputes.

**SECTION EIGHT**  
**Governing Law and Forum**

8.1 The laws of the State of Arizona applicable to contracts made or to be wholly performed there (without giving effect to choice of law or conflict of law principles) govern the validity, construction, performance and effect of this Settlement Agreement. The Parties may bring any lawsuit to interpret or enforce the terms of this Settlement Agreement only in a court of competent jurisdiction in Gila County, Arizona. The Parties to this Settlement Agreement will be considered the drafters of the same, and no principle of law construing this Settlement Agreement against the drafter will be applicable in any lawsuit arising out of the rights and obligations between the Parties.

**SECTION NINE**  
**Counterparts**

9.1 The Parties may execute this Settlement Agreement in counterparts and each executed counterpart shall be effective as the original. All faxed, emailed, scanned, or electronic signatures affirming this Settlement Agreement constitute an original. Any signature page of this Settlement Agreement may be detached from any counterpart without impairing the legal effect of any signatures, and may be attached to another counterpart, identical in form, but having attached to it one or more additional signature pages.

**SECTION TEN**  
**Communication**

10.1 Any notices sent pursuant to this Settlement Agreement will be sent to the following addresses:

Company: President  
ARIZONA WATER COMPANY  
3805 North Black Canyon Highway  
Phoenix, Arizona 85015-5351

City: City Manager  
CITY OF GLOBE  
150 N. Pine St.  
Globe, Arizona 85001-2592

Any notice sent pursuant to this Section 10 will be sent by United States mail, certified and return receipt requested and will be deemed received three days after deposit in the U.S. Mail. All other communications may be sent by first class mail, facsimile, email, courier (such as FedEx), or hand delivery.

## **SECTION ELEVEN**

### **Authority**

11.1 Each of the Parties represents and warrants that it has not sold, transferred, conveyed, assigned, or otherwise disposed of any right, title or interest in any of the property or subject matter covered by this Settlement Agreement to any person or entity, and that it is not aware of any other person or entity who may have or who has asserted or who can assert a right, title, or interest in any of the property or subject matter covered by this Settlement Agreement. Each of the Parties further affirms that it is fully capable of executing this Settlement Agreement and is fully authorized to execute this Settlement Agreement.

## **SECTION TWELVE**

### **Waiver**

12.1 The failure of the Parties to demand from the other performance of any act under this Settlement Agreement shall not be construed as a waiver of the Parties' right to demand, at any subsequent time, such performance.

IN WITNESS WHEREOF, each of the Parties has executed this Settlement Agreement on the date and year written below.

**COMPANY:**

ARIZONA WATER COMPANY, an Arizona corporation

By: William M. Garfield  
(sign)

Name: William M. Garfield

Its: President

Date: 3-29-2016  
(print date)

APPROVED as to form and content by:

**Attorneys for the COMPANY:**

By: E. Robert Spear  
E. Robert Spear

By: Steven A. Hirsch  
Steven A. Hirsch

**CITY:**

CITY OF GLOBE, an Arizona municipal corporation

By: \_\_\_\_\_  
(sign)

Name: Terence O. Wheeler  
(print name)

Its: Mayor  
(print title)

Date: \_\_\_\_\_  
(print date)

**Attorneys for the CITY:**

By: \_\_\_\_\_  
William J. Sims

By: \_\_\_\_\_  
Garry D. Hays

IN WITNESS WHEREOF, each of the Parties has executed this Settlement Agreement on the date and year written below.

**COMPANY:**

ARIZONA WATER COMPANY, an Arizona corporation

**CITY:**

CITY OF GLOBE, an Arizona municipal corporation

By: \_\_\_\_\_  
(sign)

By:   
(sign)

Name: William M. Garfield

Name: Terence O. Wheeler  
(print name)

Its: President

Its: Mayor  
(print title)

Date: \_\_\_\_\_  
(print date)

Date: 3-29-2016  
(print date)

APPROVED as to form and content by:

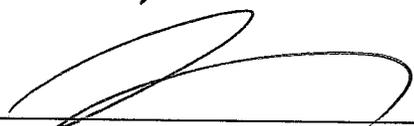
**Attorneys for the COMPANY:**

**Attorneys for the CITY:**

By: \_\_\_\_\_  
E. Robert Spear

By:   
William J. Sims

By: \_\_\_\_\_  
Steven A. Hirsch

By:   
Garry D. Hays

**EXHIBIT A**

EXHIBIT A

BILL OF SALE

The City of Globe (the "City"), an Arizona municipal corporation, for valuable consideration as recited in paragraph 2.3 of the Settlement Agreement between the parties on this date, the receipt of which the City acknowledges, hereby grants, bargains, conveys, transfers, assigns, and delivers unto Arizona Water Company ("Arizona Water"), an Arizona public service corporation, all of its right, title and interest in and to the following property:

A. All water transmission and distribution and related facilities and appurtenances constructed by or on behalf of the City, located in Gila County, Arizona, described in Attachment 1, the "Infrastructure".

B. All easements, permits, licenses, and other rights owned or claimed by the City related to the Infrastructure or which are required in the distribution of water.

C. Arizona Water accepts the Infrastructure described in section A on an "as is" basis with no representations, warranties, or guarantees. The Infrastructure described in section A and the rights described in section B are collectively referred to as the "described property".

The City, for itself, its successors, representatives, heirs, and assigns covenants with Arizona Water and its successors, representatives, heirs, and assigns that the City is lawfully seized of the described property; that the City has the right to convey the described property; that the City warrants and will defend the title and quiet enjoyment of the described property against claims and demands of all persons; and the City will do any further acts for the purpose of perfecting and confirming the title to the described property that Arizona Water may reasonably require.

IN WITNESS WHEREOF, the City of Globe, an Arizona municipal corporation, has caused this Bill of Sale to be executed this 25<sup>th</sup> day of March, 2016.

By: Terence Wheeler

Its: Mayor

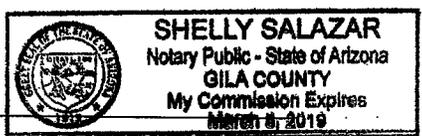
STATE OF ARIZONA )

County of Gila )

ss.

On this the 25<sup>th</sup> day of March, 2016 before me, the undersigned Notary Public, personally appeared Terence Wheeler who acknowledged himself to be the Mayor of City of Globe, a Arizona Municipal Corporation, and that he, as such officer, being authorized so to do, executed the foregoing instrument, for the purpose therein contained, by signing the name of said corporation by himself as such officer.

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



Shelly Salazar  
Notary Public

My Commission Expires: \_\_\_\_\_

# **ATTACHMENT 1**

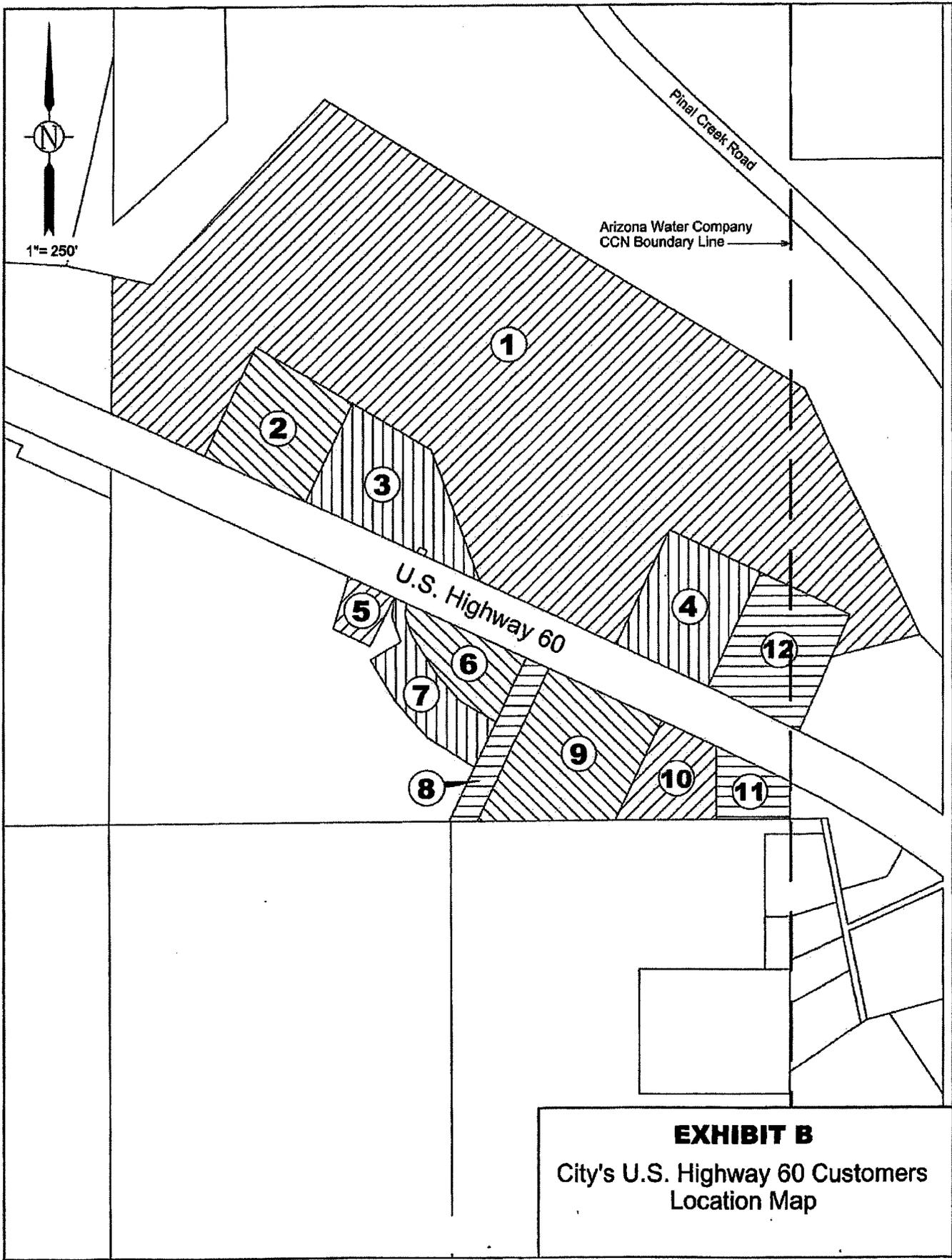
**Attachment 1, Part One of Two**  
**The Arlington Infrastructure**

<b>Main/Services</b>	<b>Unit</b>	<b>Quantity</b>
6-inch DIP	LF	2,427
12-inch DIP	LF	700
1-inch Galvanized	LF	635
1.25-inch Galvanized	LF	400
2-inch Galvanized	LF	385
3-inch PVC	LF	520
1-inch Service Connection	ea	44
Meter Box	ea	44
5/8"x3/4" Meter	ea	44
6-inch and Smaller Valves	ea	12
12-inch Gate Valve	ea	3
6-inch and Smaller Fittings	ea	31
12-inch Fittings	ea	8

**Attachment 1, Part Two of Two**  
**The U.S. Highway 60 Infrastructure**

<b>Main/Services</b>	<b>Unit</b>	<b>Quantity</b>
6-inch DIP	LF	870
6-inch PVC	LF	2,400
Hydrants	ea	6
1-inch Service Connection	ea	11
2-inch Service Connection	ea	1
Meter Box	ea	12
2" Meter	ea	1
5/8" x 3/4" Meter	ea	11
6-inch and smaller Valves	ea	9
6-inch and smaller Fittings	ea	18

**EXHIBIT B**



**EXHIBIT B**  
City's U.S. Highway 60 Customers  
Location Map

List to Accompany Exhibit B

Customer Number and Location	Existing Service Connection Size	Existing Meter Size
1	2-Inch	2-Inch
2	1-Inch	5/8" x 3/4"
3	1-Inch	5/8" x 3/4"
4	1-Inch	5/8" x 3/4"
5	1-Inch	5/8" x 3/4"
6	1-Inch	5/8" x 3/4"
7	1-Inch	5/8" x 3/4"
8	1-Inch	5/8" x 3/4"
9	1-Inch	5/8" x 3/4"
10	1-Inch	5/8" x 3/4"
11	1-Inch	5/8" x 3/4"
12	1-Inch	5/8" x 3/4"

**EXHIBIT C**

## EXHIBIT C

### INTERCONNECTION AGREEMENT

This Interconnection Agreement is made as of the 29<sup>th</sup> day of March, 2016, between the CITY OF GLOBE (the "City"), an Arizona municipal corporation, and ARIZONA WATER COMPANY (the "Company"), an Arizona corporation (each a "Party," collectively the "Parties").

#### RECITALS

A. The Company is a public service corporation engaged in the business of providing public utility water service in the area of Miami and Globe included within the Company's Certificate of Convenience and Necessity ("CC&N") issued to the Company by the Arizona Corporation Commission (the "Commission").

B. The City provides water service to areas within and outside its incorporated limits which are not in the Company's CC&N.

C. The Parties have entered into a Settlement Agreement on this date that provides for them to enter into this Interconnection Agreement to further the purposes and intent of the Settlement Agreement.

#### AGREEMENT

Now, therefore, in consideration of the premises, mutual covenants, promises, and conditions set forth in this Interconnection Agreement, and for other good, valuable, and adequate consideration, the Parties agree as follows:

1. The Interconnections. The Interconnections consist of the U.S. Highway 60 Interconnection and the Arlington Interconnection (sometimes referred to as the "Interconnections"). The U.S. Highway 60 Interconnection consists of an underground vault, an automatic flow control valve, and a 4-inch meter located at or near the Company's CCN boundary along U.S. Highway 60. The Arlington Interconnection consists of a 2-inch water meter and service line located between the Company's one million gallon Burns Russell Gulch water tank and the City's Arlington water tank. Figure 1 attached to this Interconnection Agreement shows both of the Interconnections.

2. Ownership of the Interconnections. The Company will own both of the Interconnections, but the Party providing water to each Interconnection will own the water meter.

3. Maintenance of the Interconnections. The Company will maintain, or arrange for maintenance of the Interconnections at its expense, and each Party will maintain its own meters in accordance with established rules and regulations. The Parties will cooperate with each other to test any meter upon request of the other Party and the Parties will share the costs of any such test.

4. Coordination Regarding Water Quality. Both parties agree to notify the other of any adverse water quality tests that might affect the quality of the water shared between the

## EXHIBIT C

systems. A party may refuse to accept water from the other party until subsequent water quality tests show that the matter has been resolved.

5. Delivery of Water.

a. Delivery of Water through the U.S. Highway 60 Interconnection.

i. The City will provide water through the U.S. Highway 60 Interconnection to the Company to supplement the Company's supply of water for public fire-fighting purposes along U.S. Highway 60 within the Company's CCN area. The U.S. Highway 60 Interconnection will remain active and available to provide water to the Company for heightened customer demands and public fire-fighting purposes, which will benefit the City's U.S. Highway 60 Customers and the Company's customers. The U.S. Highway 60 Interconnection will be designed and operated with a pressure sustaining feature and a check valve to protect the City's water system in cases of emergency, such as a large main break or loss of supply.

ii. The City will return water to the Company through the U.S. Highway 60 Interconnection, the Arlington Interconnection, or another location mutually agreeable to the Parties to replace water which the Company delivers to the City's U.S. Highway 60 Customers who are connected to the Company's water system pursuant to the terms of the License Agreement entered into this date as provided in the Settlement Agreement.

b. Delivery of Water through the Arlington Interconnection. The City will deliver to the Company sufficient water from its Arlington Heights tank to allow the Company to serve the 48 customers in the Southern Disputed Area as provided in the Settlement Agreement until such time as the Company is able to provide water service to these customers directly from its own water production and distribution facilities. Until that time, the Company will return water to the City through the Arlington Interconnection to replace water which the City delivers to the Company's customers in the Southern Disputed Area pursuant to the terms of the Settlement Agreement.

c. Delivery of water for emergency purposes. The City and the Company agree that either Party may request water deliveries from the other Party pursuant to this Interconnection Agreement in case of temporary emergencies such as a water shortage or failure of or defect in its wells, pumps, or related equipment and facilities, which failure or defect the Party requesting emergency deliveries agrees to repair or correct as promptly as possible. Either Party may request delivery of water through the Interconnections by contacting the other Party as follows:

Arizona Water Company

Phone: (928) 473-4433  
Fax: (928) 473-2271  
Cell Phone (928) 200-1310  
After Hours: (800) 547-4714

City of Globe

Phone: (928) 425-7146  
Fax: (928) 425-4820  
After Hours: (928) 425-4449

## EXHIBIT C

The Party requesting emergency deliveries agrees to advise the Party providing emergency deliveries of the date and time that emergency deliveries are to commence, the estimated flow rate of water to be delivered, expressed in gallons per minute, and the expected duration of water deliveries needed to satisfy the temporary emergency. The Party requesting emergency deliveries will advise the Party providing emergency deliveries of the date and time that the Party providing emergency deliveries is requested to discontinue the emergency deliveries.

The Party providing emergency deliveries will only be responsible for providing such water at such pressures as may be available from time to time within its water system. Water deliveries by the Party providing emergency deliveries may, without notice, be limited, curtailed, or terminated by the Party providing emergency deliveries if such Party determines, in its sole judgment, that conditions within its water system warrant such limitation, curtailment, or termination.

6. Accounting for Delivery for Water. Water that one Party delivers to the other will be accounted for by metering the water (or estimating the water delivered through fire hydrants) and the Party receiving the water will return the same quantity of water to the other by the end of the following quarter to a mutually agreed point of delivery. If the receiving party is not able to return the full amount of water, the receiving party will pay the providing party for the water received at the providing party's current sales for resale rate. The Parties will develop procedures for the orderly exchange of water use information where customers are being served with water provided from the other party's water distribution system.

7. Indemnification. Neither Party will incur any obligation to the other or to the public or any person or entity as a result of said Party's failure or inability to provide emergency deliveries pursuant to this Interconnection Agreement and each Party hereby mutually releases and agrees to indemnify, defend, and hold the other Party and their directors, council members, officers, employees, agents and contractors harmless from, and against, any claim, cause of action or any liability, loss, damage or expense, including reasonable attorney's fees, which the Party that fails or is unable to provide emergency deliveries may incur or suffer by reason of such failure or inability to provide emergency deliveries pursuant to this Interconnection Agreement.

With respect to any other claim of loss, action, suit or injury arising under or in connection with this Interconnection Agreement, each Party agrees to indemnify, defend, and hold the other Party and their directors, council members, officers, employees, agents and contractors harmless from, and against, any claim, cause of action or any liability, loss, damage or expense, including reasonable attorney's fees, which a Party may incur or suffer as a result of any alleged wrongful, willful or negligent act of a Party that provides emergency deliveries pursuant to this Interconnection Agreement.

8. Continuation of Interconnection Agreement. This Interconnection Agreement will remain in effect so long as the Company provides water to the City's customers located along U.S. Highway 60 inside the Company's CCN area, unless the Parties mutually agree in writing to terminate it at an earlier date or to extend it. This Interconnection Agreement may be modified only as mutually agreed in writing by the Parties.

## EXHIBIT C

9. Assignment. Both Parties agree that this Interconnection Agreement and any right arising under or by virtue of this Interconnection Agreement will not be assigned or transferred by either Party, and this Interconnection Agreement will not inure to the benefit of any successor, assignee, or transferee of either Party, without the prior written consent of the other Party.

10. Notices. Any notices sent pursuant to this Settlement Agreement will be sent to the following addresses:

Company: President  
ARIZONA WATER COMPANY  
3805 North Black Canyon Highway  
Phoenix, Arizona 85015-5351

City: City Manager  
CITY OF GLOBE  
150 N. Pine St.  
Globe, Arizona 85001-2592

Any notice sent pursuant to this Section 10 will be sent by United States mail, certified and return receipt requested and will be deemed received three business days after deposit in the U.S. Mail. All other communications may be sent by first class mail, facsimile, email, courier (such as FedEx), or hand delivery.

11. Attorney Fees. If either Party to this Interconnection Agreement brings suit to enforce or to recover damages for the breach of any term, covenant, or condition contained herein, the prevailing Party will be entitled to an award of attorney's fees in addition to the amount of any judgment and costs.

12. Counterparts. The Parties may execute this Interconnection Agreement in counterparts and each executed counterpart will be effective as the original. All faxed, emailed, scanned, or electronic signatures affirming this Interconnection Agreement constitute an original. Any signature page of this Interconnection Agreement may be detached from any counterpart without impairing the legal effect of any signatures, and may be attached to another counterpart, identical in form, but having attached to it one or more additional signature pages.

**EXHIBIT C**

IN WITNESS WHEREOF, the Parties hereto have caused this Interconnection Agreement to be executed by their respective duly authorized officers as of the date first written above.

**COMPANY:**

ARIZONA WATER COMPANY, an  
Arizona corporation

**CITY:**

CITY OF GLOBE, an Arizona municipal  
corporation

By: William M Garfield  
*(sign)*

By: \_\_\_\_\_  
*(sign)*

Name: William M. Garfield

Name: Terence O. Wheeler  
*(print name)*

Its: President

Its: Mayor  
*(print title)*

Date: 3-29-2016  
*(print date)*

Date: \_\_\_\_\_  
*(print date)*

**EXHIBIT C**

IN WITNESS WHEREOF, the Parties hereto have caused this Interconnection Agreement to be executed by their respective duly authorized officers as of the date first written above.

**COMPANY:**

ARIZONA WATER COMPANY, an  
Arizona corporation

**CITY:**

CITY OF GLOBE, an Arizona municipal  
corporation

By: \_\_\_\_\_  
(sign)

By: Terence O Wheeler  
(sign)

Name: William M. Garfield

Name: Terence O. Wheeler  
(print name)

Its: President

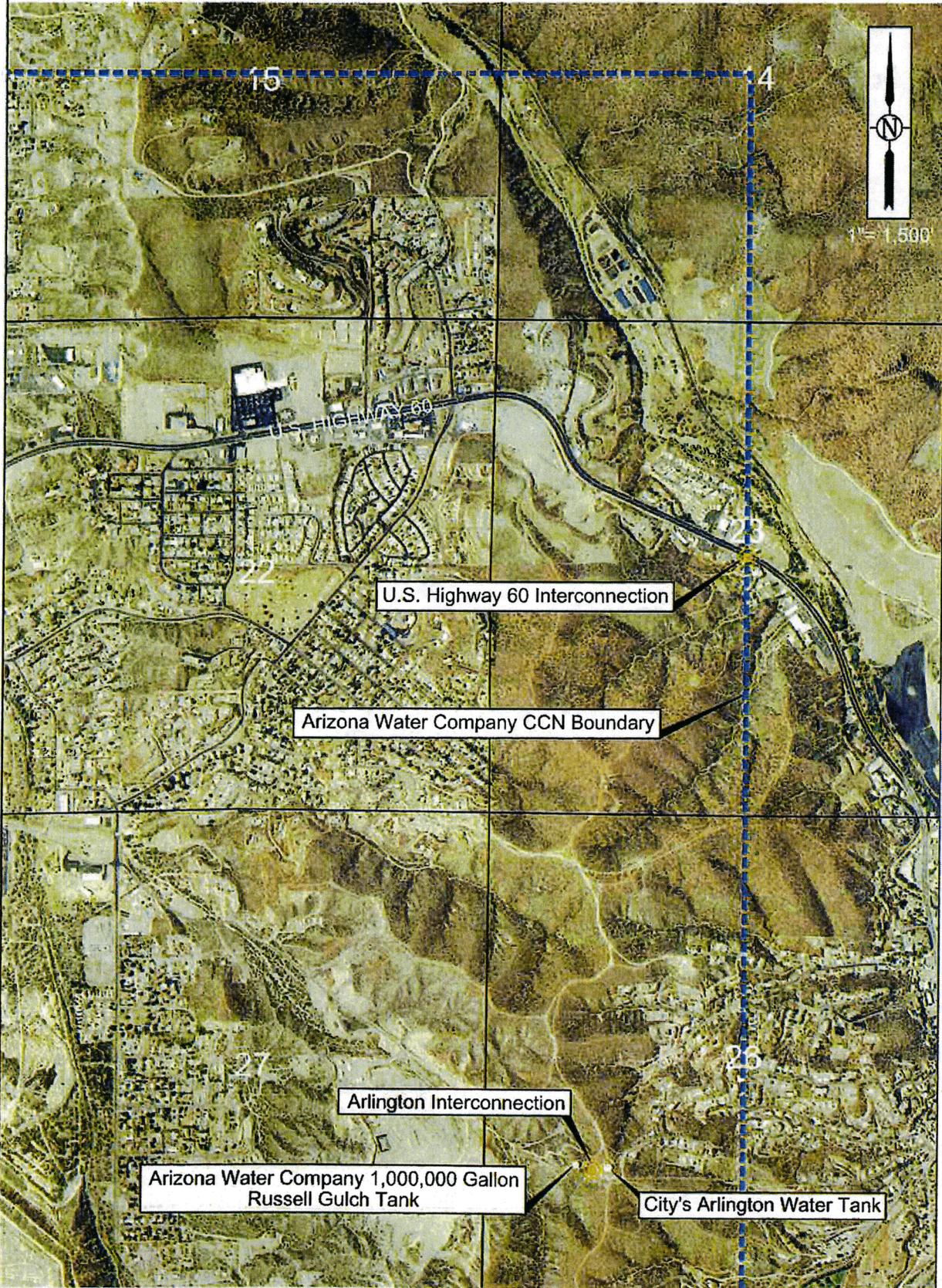
Its: Mayor  
(print title)

Date: \_\_\_\_\_  
(print date)

Date: 3-29-2016  
(print date)

**Figure 1**

**FIGURE 1**  
Interconnection Locations



# **EXHIBIT D**

## EXHIBIT D

### LICENSE AGREEMENT

This License Agreement is made and entered into as of March 29<sup>th</sup>, 2016 by and between Arizona Water Company ("Licensor") and the City of Globe ("Licensee").

#### RECITALS

A. Licensor holds a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission on September 20, 1961 in Decision No. 33424, Docket No. U-1445 (the "CCN"). The CCN provides Licensor with exclusive authority to provide public utility water service in areas defined in the CCN located in Gila County, Arizona.

B. Disputes have arisen between Licensor and Licensee concerning the provision of public utility water service to certain customers located within Licensor's CCN area, both within and without Licensee's municipal boundaries. The parties have settled those disputes and desire to allow Licensee to provide public utility water service under the terms and conditions of this License Agreement to 14 defined customers and any successors thereto located within the Licensee's municipal boundaries and the Licensor's CCN boundaries, including the City's 12 U.S. Highway 60 Customers, the Globe Waste Water Treatment Plant, and the Rivera Ranch (the "Defined Customers"). The Defined Customers are described in Exhibit B to the Settlement Agreement, which is incorporated into this License Agreement by this reference, along with Gila County Assessor's parcel numbers 205-01-014F (City's WWTP) and 205-01-013D (Rivera Ranch) and any successors thereto.

#### AGREEMENTS

NOW THEREFORE, in consideration of the terms, conditions and obligations contained in this License Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Licensor and Licensee hereby agree as follows:

1. Grant of License. Licensor hereby grants to Licensee a non-exclusive license to provide public utility water service to the Defined Customers and to the Successors to the Defined Customers, as defined below. Licensee will return water to Licensor in accordance with the terms of Section 5.a.ii of the Interconnection Agreement entered into this date as provided in the Settlement Agreement. This License Agreement does not extend to any new customers or services in the CCN and the parties acknowledge that Licensee has no right to provide public utility water service to any other customers or services in the CCN, except as set forth in Section 2 of this Agreement.

2. Successors. The right and license set forth in this License Agreement applies only to water service connections to the Defined Customers and any successors, including the Defined Customers' transferees, heirs, executors and administrators (collectively, the "Successors").

3. Nontransferability. The rights of Licensee under this License Agreement are personal to Licensee and shall not be subject to assignment to any other person or entity. Any

**EXHIBIT D**

such transfer or assignment made by License shall be null and void and of no force or effect and shall entitle Licensor to terminate this License Agreement.

4. License Fee. Licensee shall not be required to pay any fee for its rights under this License Agreement.

5. License Only. This License Agreement creates a license only and Licensee acknowledges that it does not and it shall not claim any interest or estate of any kind or extent in the CCN, any areas within the CCN or otherwise by virtue of this License Agreement or Licensee's provision of public utility water service to the Defined Customers and their Successors. No rights or privileges whatsoever, other than those expressly set forth herein, are granted or created, implied or otherwise.

6. Governing Law. This License Agreement and the rights and obligations of the parties hereunder shall be governed in accordance with the laws of the State of Arizona.

7. Amendments. This Agreement may not be amended, modified or discharged, or any of its terms waived, except by an instrument in writing signed by the Licensor and Licensee.

8. Counterparts. This Agreement may be executed in any number of original counterparts, which counterparts when considered together shall constitute a single, binding, valid and enforceable License Agreement.

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

**LICENSOR:**

ARIZONA WATER COMPANY, an  
Arizona corporation

By: \_\_\_\_\_  
(sign)

Name: William M. Garfield

Its: President

Date: \_\_\_\_\_  
(print date)

**LICENSEE:**

CITY OF GLOBE, an Arizona municipal  
corporation

By:   
(sign)

Name: Terence O. Wheeler  
(print name)

Its: Mayor  
(print title)

Date: 3-25-16  
(print date)

**EXHIBIT D**

such transfer or assignment made by License shall be null and void and of no force or effect and shall entitle Licensor to terminate this License Agreement.

4. License Fee. Licensee shall not be required to pay any fee for its rights under this License Agreement.

5. License Only. This License Agreement creates a license only and Licensee acknowledges that it does not and it shall not claim any interest or estate of any kind or extent in the CCN, any areas within the CCN or otherwise by virtue of this License Agreement or Licensee's provision of public utility water service to the Defined Customers and their Successors. No rights or privileges whatsoever, other than those expressly set forth herein, are granted or created, implied or otherwise.

6. Governing Law. This License Agreement and the rights and obligations of the parties hereunder shall be governed in accordance with the laws of the State of Arizona.

7. Amendments. This Agreement may not be amended, modified or discharged, or any of its terms waived, except by an instrument in writing signed by the Licensor and Licensee.

8. Counterparts. This Agreement may be executed in any number of original counterparts, which counterparts when considered together shall constitute a single, binding, valid and enforceable License Agreement.

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

**LICENSOR:**

ARIZONA WATER COMPANY, an  
Arizona corporation

By: William M Garfield  
(sign)

Name: William M. Garfield

Its: President

Date: 3-29-2016  
(print date)

**LICENSEE:**

CITY OF GLOBE, an Arizona municipal  
corporation

By: \_\_\_\_\_  
(sign)

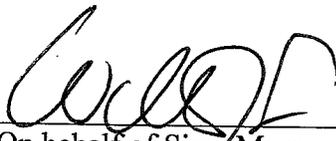
Name: Terence O. Wheeler  
(print name)

Its: Mayor  
(print title)

Date: \_\_\_\_\_  
(print date)

**RECEIPT OF CHECK**

On this 31st day of March, 2016, Sims Murray, Ltd. received from Arizona Water Company, on behalf of the City of Globe, check number 061476 in the amount of \$105,000.00. Arizona Water Company provided the check and Sims Murray, Ltd. received the check pursuant to section 2.3 and Exhibit A of a Settlement Agreement between Arizona Water Company and the City of Globe, which Arizona Water Company signed on March 29, 2016.

  
 \_\_\_\_\_  
 On behalf of Sims Murray, Ltd.

Vendor ID	Name	Payment Number	Check Date	Document Number	
GLOBE001	CITY OF GLOBE	50067753	3/29/2016	061476	
Your Document Number	Date	Amount	Amount Paid	Discount	Net Amount Paid
407780	3/29/2016	\$105,000.00	\$105,000.00	\$0.00	\$105,000.00

\$105,000.00      \$105,000.00      \$0.00      \$105,000.00

THIS DOCUMENT HAS A TRUE WATERMARK WHEN HELD TO LIGHT, A MICRO PRINTED BORDER AND VISIBLE FIBERS THAT CAN BE SEEN FROM BOTH SIDES. VOID IF THESE DO NOT APPEAR.



**ARIZONA WATER COMPANY**

GENERAL ACCOUNT

3805 N. BLACK CANYON HIGHWAY  
 POST OFFICE BOX 29006  
 PHOENIX, ARIZONA 85038-9006

061476  
91-170  
 1221

Date  
 3/29/2016

Check Amount  
 \$105,000.00

One Hundred Five Thousand Dollars and 00 Cents

Pay to the Order of:

CITY OF GLOBE  
 150 N. PINE STREET  
 GLOBE AZ 85501

  
 William M. Murray

THIS DOCUMENT HAS A TRUE WATERMARK WHEN HELD TO LIGHT, A MICRO PRINTED BORDER AND VISIBLE FIBERS THAT CAN BE SEEN FROM BOTH SIDES. VOID IF THESE DO NOT APPEAR.

# ATTACHMENT B

**PUBLIC NOTICE OF THE HEARING ON THE SETTLEMENT AGREEMENT IN THE MATTER OF THE APPLICATION OF THE CITY OF GLOBE FOR APPROVAL TO AMEND DECISION #33424 PURSUANT TO A.R.S. § 40-252 (DOCKET NO. W-01445A-14-0305)**

On August 18, 2014, the City of Globe ("Globe") filed with the Arizona Corporation Commission ("Commission") an application requesting approval to amend Decision # 33424. Globe's application requested that the Commission correct an error that occurred in Decision # 33424. Since the filing of the application Globe and Arizona Water Company have engaged in settlement discussions which resulted in a settlement agreement. The Commission will issue a Decision regarding the settlement agreement following consideration of testimony and evidence presented at an evidentiary hearing. A copy of the settlement agreement is available at Globe City Hall, 150 N. Pine St. Globe, Arizona 85501, Arizona Water Company's Miami Division office, 422 W Sullivan St Miami, Arizona 85539 and at the Commission's office at 1200 W. Washington Street, Phoenix, Arizona for public inspection during regular business hours, and on the internet via the Commission website ([www.azcc.gov](http://www.azcc.gov)) using the edocket function.

Letters have been sent by both the City of Globe and Arizona Water Company to any customer who may be affected by the settlement agreement.

The Commission will hold a hearing on the settlement agreement on \_\_\_\_ 2016 at \_\_\_\_ a.m. at the Commission's office, 1200 W. Washington, Hearing Room No. \_\_, Phoenix Arizona 85007. Public comment will be taken on the first day of the hearing. Written public comments may be submitted via the Commission's website at [www.azcc.gov](http://www.azcc.gov) by clicking on the "Submit a Public Comment" button or by mailing a letter referencing Docket No. W-01445A-14-0305 to: Arizona Corporation Commission, Consumer Services Section, 1200 W. Washington St., Phoenix, Arizona 85007. If you require assistance, you may contact Consumer Services Section at 1-800-222-7000 or 602-542-4251. Additionally, Globe and Arizona Water Company will hold an informational session regarding the settlement agreement at Globe City Hall on \_\_\_\_ 2016 at \_\_\_\_ pm. The address for Globe City Hall is referenced above.

The Commission does not discriminate on the basis of disability in admission of its public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, email [sabernal@azcc.gov](mailto:sabernal@azcc.gov), voice phone number 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.