

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION  
**RECEIVED**

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**COMMISSIONERS**

Jeff Hatch-Miller, Chairman  
William A. Mundell  
Marc Spitzer  
Mike Gleason  
Kristin K. Mayes

2006 MAY -5 P 4: 36

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF  
PALO VERDE UTILITIES COMPANY FOR AN  
EXTENSION OF ITS EXISTING CERTIFICATE  
OF CONVENIENCE AND NECESSITY.

Docket No. SW-03575A-04-0767

IN THE MATTER OF THE APPLICATION OF  
SANTA CRUZ WATER COMPANY FOR AN  
EXTENSION OF ITS EXISTING CERTIFICATE  
OF CONVENIENCE AND NECESSITY.

Docket No. W-03576A-04-0767

**MOTION FOR EXTENSION OF TIME**

and

**NOTICE OF PARTIAL COMPLIANCE**

Palo Verde Utilities Company, LLC and Santa Cruz Water Company, LLC (collectively, "Global") request that the Commission grant an extension of time for certain compliance items due on May 5, 2006 under Decision No. 67830 (May 5, 2005). For one item, Global requests a 60 day extension and for another item, Global requests a 120 day extension. Global requests that two other items be extended until May 5, 2008. In addition, Global hereby provides notice that it has complied with the conditions concerning the ownership of Glennwilde Well # 1 and the conditions concerning the Designation of Assured Water Supply. Proof of compliance with these items is attached as Exhibits A and B, respectively. In support of this motion, Global states:

**I. BACKGROUND.**

The Commission originally granted Certificates of Convenience and Necessity ("CC&Ns") to Global's predecessors in Decision No. 61943 (Sept. 17, 1999). The CC&Ns were extended in

1 Decision Nos. 66394 (October 6, 2003), 67240 (Sept. 23, 2004), 67830 (May 5, 2005) and 68448  
2 (February 2, 2006). The Commission also granted Global an Order Preliminary in Decision No.  
3 68498 (February 23, 2006).

4 The compliance items at issue here were imposed by Decision No. 67830 (May 5, 2005).  
5 This decision required Global to submit various routine compliance items. Three of these items  
6 are due on May 5, 2006. On that date, Global is required to file copies of: (1) an amendment of  
7 Global's Designation of Assured Water Supply (DAWS); (2) corrections to the Arizona  
8 Department of Water Resources' (ADWR) registration records to reflect ownership of the two  
9 Glennwilde wells and two Rancho Mirage wells; and (3) City of Maricopa municipal franchises.  
10 The status of each of these items is reviewed below.

11 **II. STATUS REPORT AND REASONS FOR EXTENSION.**

12 **A. Amendment to DAWS.**

13 A copy of the amended DAWS is attached as Exhibit B. The amended DAWS applies to  
14 the extension area granted in this docket, as well as the extension area granted by Decision No.  
15 68448, and the area for which an order preliminary was granted in Decision No. 68498. No  
16 extension is necessary for this item.

17 **B. Well registration transfers.**

18 As demonstrated in the CC&N approval process, the physical requirement for these wells  
19 to be operational (from a wet-water perspective) is July 2010. Nevertheless, Santa Cruz Water  
20 Company continues to rehabilitate the Glennwilde and Rancho Mirage Wells. The transfer of title  
21 for the wells is a requirement of the provision of service for these developments. However, the  
22 physical act of transfer is dependent to some extent on the development progress. Typically these  
23 title transfers are amongst the last steps as the land transitions from agriculture to a municipal and  
24 industrial use. This is because the land continues to be farmed until very late in the process.  
25 Further, there are often conversions of Irrigation Grandfathered Rights to Type 1 water rights for  
26 the provision of some irrigation water to the development (for example, to water homeowner's  
27

1 association common areas). The conversion to Type 1 rights requires the land and well to be  
2 under the original owner.

3 The result is that there are often delays in the title transfer. Global desires to cooperate  
4 with the developers in the transfer of well title as it allows for continued agricultural activity, and  
5 allows for developers to employ non-potable water for mass grading activities which significantly  
6 reduces the demand on the potable system. Therefore, Global believes that such cooperation is in  
7 the public interest.

8 Santa Cruz Water Company has had the title to the Glennwilde Well #1 transferred and has  
9 filed for Change of Well Information to ADWR. A copy of the title transfer and ADWR  
10 registration change for Glennwilde Well # 1 are attached as Exhibit A. Therefore, the compliance  
11 requirement has been met for Glennwilde Well # 1. The Rancho Mirage Wells and Glennwilde  
12 Well #2 are still in the development phase. However, Global expects to have the transfer of  
13 Rancho Mirage Well # 1 complete within 60 days. The remaining two wells (Glennwilde Well # 2  
14 and Rancho Mirage Well # 2) will not be needed until July 2010 at the earliest. Further, Global  
15 may elect to not proceed with those wells depending on their condition and the availability of  
16 alternative wells. In addition, if title is not transferred and the wells are ultimately not used, the  
17 current owners will be responsible for abandonment. In contrast, if the wells are transferred to  
18 Global and then not used, Global will have the liability for abandonment.

19 Global therefore requests the following:

- 20 (1) For Glennwilde Well #1, compliance has been met and no extension is necessary;  
21 (2) For Rancho Mirage Well # 1, Global requests a 60 day extension; and  
22 (3) For Glennwilde Well # 2 and Rancho Mirage Well # 2, Global requests an  
23 extension until May 5, 2008.

24 **C. Maricopa franchise.**

25 Global has a close working relationship with the City of Maricopa. Part of this relationship  
26 is the Public Private Partnership (P3) between Global and the city. A copy of the P3 is attached as  
27 Exhibit C. Under the P3, the city agrees to take good faith efforts to support the issuance of a

1 franchise. (Ex. C at ¶ 5). Prior to the issuance of the franchise, the city has agreed to enter into an  
2 operating/license agreement with Global. (*Id.*).

3 This agreement will be a legal substitute for the franchise. Under Arizona law:

4 Every applicant for a certificate shall submit to the commission evidence required  
5 by the commission to show that the applicant has received the required **consent,**  
6 **franchise or permit** of the proper county, city and county, municipal or other  
public authority.

7 A.R.S. § 40-282(B)(emphasis added). Therefore a “consent” or “permit” is a substitute for a  
8 franchise. *See, e.g.,* Decision No. 67107 (July 4, 2004)(accepting permit in lieu of franchise).  
9 Here, the proposed operating/license agreement will contain language granting Global a license to  
10 construct, maintain and operate utility facilities in public rights of way within the City. The  
11 operating/license agreement will therefore be a “permit” or “consent” within the meaning of  
12 A.R.S. § 40-282(B).

13 Global notes that the provisions of the operating/license agreement will involve not just the  
14 extension area granted by Decision No. 67830, but also the “Southwest Extension Area” granted  
15 by Decision No. 68448 and the 387 District areas for which the Commission granted an Order  
16 Preliminary in Decision No. 68498. Global and the City are currently working on finalizing the  
17 operating/license agreement, and in connection with those discussions will also be discussing the  
18 franchise process with the City. Global is working towards finalizing the operating/license  
19 agreement, and believes that this can be accomplished within 120 days.

20 **III. CONCLUSION.**

21 Global requests that the Commission:


- 22 (1) Take no action with regard to the amended DAWS;
- 23 (2) Take no action with regard to Glennwilde Well # 1;
- 24 (3) Grant a 60 day extension with regard to Rancho Mirage Well # 1;
- 25 (4) Grant an extension until May 5, 2008 for Glennwilde Well # 1 and Rancho  
26 Mirage Well # 2; and
- 27

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

(5) Grant a 120 day extension for submitting the operating/license agreement with the City of Maricopa as the substitute for a franchise.

RESPECTFULLY SUBMITTED this 5<sup>th</sup> day of May 2006.

ROSHKA DEWULF & PATTEN, PLC

By   
Michael W. Patten  
One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004

Original + 15 copies of the foregoing  
filed this 5<sup>th</sup> day of May 2006, with:

Docket Control  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

Copies of the foregoing hand-delivered/mailed  
this 5<sup>th</sup> day of May 2006, to:

Dwight Nodes, Esq.  
Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

David Ronald, Esq.  
Legal Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

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

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Mr. Brian Bozzo  
Compliance Manager  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
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Mary Ippolito

**ROSHKA DeWULF & PATTEN, PLC**  
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TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

# **EXHIBIT**

**"A"**



Arizona Department of Water Resources  
Water Management Support Section  
P.O. Box 458 • Phoenix, Arizona 85001-0458  
(602) 771-8500 • (800) 352-8488  
www.azwater.gov

## Request to Change Well Information

- Review instructions prior to completing form in black or blue ink.
  - You **must** include with your Notice:
    - check or money order for any required fee(s)
  - Authority for fee: A.A.C. R12-15-151(B)(4)(a), A.R.S. § 45-113(B)
- \*\* PLEASE PRINT CLEARLY \*\***

FILE NUMBER

WELL REGISTRATION NUMBER

55-624037

SECTION 1: REGISTRY INFORMATION	
<b>Well Owner</b>	<b>Location of Well</b>
FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL <b>Element Homes, LLC</b>	WELL LOCATION ADDRESS (IF ANY) <b>Glenwilde</b>
MAILING ADDRESS <b>426 N. 44th Street, Ste 240</b>	TOWNSHIP (N/S) <b>4S</b> RANGE (E/W) <b>3E</b> SECTION <b>26</b> 160 ACRE <b>NE 1/4</b> 40 ACRE <b>NE 1/4</b> 10 ACRE <b>SE 1/4</b>
CITY / STATE / ZIP CODE <b>Phoenix, AZ 85008</b>	LATITUDE <b>33° 03' 17" N</b> LONGITUDE <b>112° 00' 50" W</b> Degrees Minutes Seconds Degrees Minutes Seconds
CONTACT PERSON NAME AND TITLE <b>Hillarie Bethancourt, Project Manager</b>	METHOD OF LATITUDE/LONGITUDE (CHECK ONE) <input checked="" type="checkbox"/> *GPS: Hand-Held <input type="checkbox"/> *GPS: Survey-Grade <input type="checkbox"/> USGS Quad Map <input type="checkbox"/> Conventional Survey *IF GPS WAS USED, GEOGRAPHIC COORDINATE DATUM (CHECK ONE)
TELEPHONE NUMBER <b>602-343-2134</b> FAX <b>602-286-0060</b>	<input type="checkbox"/> NAD-83 <input type="checkbox"/> Other (please specify):
	COUNTY ASSESSOR'S PARCEL ID NUMBER
	BOOK MAP PARCEL
	COUNTY WHERE WELL IS LOCATED <b>PINAL</b>

Type of Request (CHECK ONE)		
<input type="checkbox"/> Change of Well Drilling Contractor (Fill out Section 2)	<input checked="" type="checkbox"/> Change of Well Ownership (Fill out Section 3)	<input type="checkbox"/> Change of Well Information (location, use, etc.) (Fill out Section 4)

### SECTION 2: REQUEST TO CHANGE WELL DRILLING CONTRACTOR (\$10 Fee Required)

\$10 FEE

- If drilling or abandoning a well, the Department must receive this request and issue authorization to the new drilling firm prior to the commencement of well drilling or abandonment.

Current Well Drilling Contractor		New Well Drilling Contractor	
FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL		FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL	
DWR LICENSE NUMBER		DWR LICENSE NUMBER	ROC LICENSE CATEGORY
TELEPHONE NUMBER	FAX	TELEPHONE NUMBER	FAX

### SECTION 3: STATEMENT OF CHANGE OF WELL OWNERSHIP (\$10 Fee Required)

\$10 FEE

- If this change pertains to more than one well and the names are the same, only one \$10 fee is required.

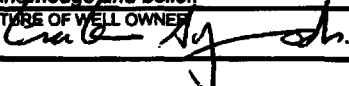
Previous Well Owner		New Well Owner	
FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL <b>Element Homes, LLC</b>		FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL <b>Global Water - Santa Cruz Water Company</b>	
MAILING ADDRESS <b>426 N. 44th Street, Ste. 240</b>		MAILING ADDRESS <b>21410 N. 19th Ave, Ste 201</b>	
CITY / STATE / ZIP CODE <b>Phoenix, AZ 85008</b>		CITY / STATE / ZIP CODE <b>Phoenix, AZ 85027</b>	
CONTACT PERSON NAME AND TITLE <b>Hillarie Bethancourt, Project Manager</b>		CONTACT PERSON NAME AND TITLE <b>Graham Symmonds, V.P. of Compliance</b>	
TELEPHONE NUMBER <b>602-343-2134</b> FAX <b>602-286-0060</b>		TELEPHONE NUMBER <b>623-580-9600</b> FAX <b>623-580-9659</b>	

### SECTION 4: CHANGE OF WELL INFORMATION (No Fee Required)

NO FEE

NOTE: Applies only to wells that have already been drilled. For proposed wells, an amended Notice of Intent to Drill a Well must be filed.

EXPLAIN

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.	
TYPE OR PRINT NAME AND TITLE <b>G.S. Symmonds</b>	SIGNATURE OF WELL OWNER  DATE



4  
When Recorded Mail to:  
Tambre Ruud  
Element Homes, LLC  
426 North 44th Street  
Suite 240  
Phoenix, AZ 85008



**OFFICIAL RECORDS OF  
PINAL COUNTY RECORDER  
LAURA DEAN-LYTLE**

DATE/TIME: 07/12/05 1212  
FEE: \$14.00  
PAGES: 4  
FEE NUMBER: 2005-085147

---

CAPTION HEADING: Recording of Special Warranty Deed to be recorded in correct county.

**DO NOT REMOVE  
THIS IS A PART OF THE OFFICIAL DOCUMENT**

Presented for recording without liability  
for acceptability or sufficiency by:

FIRST AMERICAN TITLE INSURANCE COMPANY

When recorded send to:

elementHomes, L.L.C.  
426 North 44<sup>th</sup> Street, Suite 240  
Phoenix, AZ 85008  
Attn: Tambre L. Ruud

---

### SPECIAL WARRANTY DEED

For Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, ELEMENT H – HVS, L.L.C., an Arizona limited liability company ("Grantor"), hereby grants and conveys to SANTA CRUZ WATER COMPANY, L.L.C., an Arizona limited liability company ("Grantee"), that real property located in Pinal County, Arizona, and legally described on Exhibit A attached hereto and incorporated herein by this reference, together with all interests, privileges and easements appurtenant thereto and any and all improvements located thereon (the "Property").

**This conveyance is exempt from filing affidavit under A.R.S. § 11-1134(A7)**

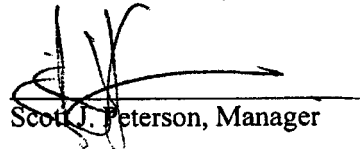
SUBJECT TO: current taxes not yet due and payable, assessments and any other liens arising therefrom, all reservations in patents, deed restrictions, if any, all easements, rights of way, covenants, conditions, restrictions, encroachments, liens, encumbrances, obligations and liabilities as may appear of record, and all other matters that can be determined by a visual inspection or a complete and accurate survey of the Property, and all matters created by Grantee.

Notwithstanding any warranty which may otherwise be implied from the use of any word, phrase or clause herein, Grantor warrants title to the Property, subject to the matters referred to above, only against its own acts, but not the acts of any others.

DATED: June 23, 2005

ELEMENT H – HVS, L.L.C.,  
an Arizona limited liability company


By:

  
Scott J. Peterson, Manager

"GRANTOR"

STATE OF ARIZONA       )  
                                      ) ss.  
County of Maricopa       )

The foregoing document was acknowledged before me this 23rd day of June, 2005, by Scott J. Peterson, the Manager of Element H – HVS, L.L.C., an Arizona limited liability company on behalf of said company.

  
Notary Public

My Commission Expires:

March 24, 2008



Notary Public State of Arizona  
Maricopa County  
Lynette M Armour  
Expires March 24, 2008

**EXHIBIT A  
TO  
SPECIAL WARRANTY DEED**

Tract EE of GLENNWILDE – WEST, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded in Cabinet E, Slide 161, as Document No. 2005-7687.

**EXHIBIT**

**"B"**

1  
2 **DEPARTMENT OF WATER RESOURCES**  
3 **BEFORE THE DIRECTOR**  
4

5  
6 **IN THE MATTER OF THE APPLICATION OF**  
7 **SANTA CRUZ WATER COMPANY**  
8 **FOR A DESIGNATION AS HAVING AN ASSURED**  
9 **WATER SUPPLY**

10 **) AWS No. 2006-001**  
11 **) DECISION AND ORDER**  
12 **) No. 26-401667.0000**  
13

14  
15 On March 11, 2005, the Department of Water Resources (Department) received an application  
16 from the Santa Cruz Water Company (Santa Cruz) requesting that the Department modify Santa Cruz's  
17 designation of assured water supply pursuant to A.R.S. § 45-576(D) and A.A.C. R12-15-709(C). On June  
18 28, 2005, the Department determined the application to be complete. On July 2, 2005 and July 9, 2005,  
19 the Department gave public notice pursuant to A.R.S. § 45-578 and no objections were filed with the  
20 Department.  
21

22 After receiving Santa Cruz's request to modify its designation of assured water supply and  
23 reviewing relevant information regarding the modification request, including: 1) the hydrologic study  
24 submitted with the application and other information on file with the Department for the proposed  
25 groundwater supply; 2) information submitted regarding Santa Cruz's consistency with the management  
26 plan and management goal for the Pinal Active Management Area (AMA); 3) information provided by the  
27 Arizona Department of Environmental Quality (ADEQ) regarding the quality of the proposed source of  
28 water; and 4) information regarding Santa Cruz's financial capability to construct the necessary delivery  
system, treatment works and storage facilities, the Department finds the following:

1. Santa Cruz is a private water company regulated by the Arizona Corporation Commission (ACC).
2. Santa Cruz has the right to withdraw and deliver groundwater to its customers pursuant to service area right No. 56-001355.0000.
3. On October 24, 2003, Santa Cruz was designated as having an assured water supply in Decision and Order AWS 2003-006.
4. Santa Cruz has the legal authority to provide water service to its customers located within the geographic area described in its Certificate of Convenience and Necessity (CC&N). See ACC

Decision No. 67830, May 5, 2005; ACC Decision No. 68448, Feb. 2, 2006.

5. On June 30, 2005, Santa Cruz applied to the ACC for an extension of its CC&N to provide water service to the public in the area known as the 387 Domestic Water Improvement District in Pinal County. (The area sought to be added to Santa Cruz's CC&N is referred to herein as the "extension area.")
6. On February 23, 2006, pursuant to A.R.S. § 40-282(D), the ACC issued an Opinion and Order Granting an Order Preliminary ("Order Preliminary") authorizing Santa Cruz to provide water service to customers located within the extension area pending issuance of a final order extending Santa Cruz's CC&N to include the extension area. The Order Preliminary provides that if certain requirements are satisfied by the dates specified in the Order, the ACC shall issue an order extending Santa Cruz's CC&N to include the extension area.
7. Santa Cruz currently serves groundwater through its municipal distribution system to customers within its service area.
8. Santa Cruz's current demand as of calendar year 2004 is 1,215.60 acre-feet per year ("current demand").
9. Santa Cruz's committed demand as of calendar year 2004 is 6409.75 acre-feet per year ("committed demand"). This includes committed demand within the extension area.
10. Santa Cruz's projected demand for 2016, the tenth calendar year from the date of this Decision and Order, is estimated to be 15,851.95 acre-feet ("projected demand"). This includes projected demand within the extension area.
11. Santa Cruz's estimated water demand, which is the sum of Santa Cruz's current demand, committed demand and projected demand, is 23,477.30 acre-feet per year.
12. Santa Cruz's groundwater supply proven to be physically available for a minimum of one hundred years is 25,575.21 acre-feet per year, which exceeds Santa Cruz's estimated water demand of 23,477.30 acre-feet per year.
13. Historic hydrologic information demonstrates that the depth-to-static water level within Santa Cruz's service area is currently approximately 350 feet below land surface with a minimal regional decline.

14. After one hundred years of pumping at 23,477.30 acre-feet per year, the depth-to-static water level within Santa Cruz's service area is not expected to exceed 1,100 feet below land surface.
15. Santa Cruz's groundwater allowance that is consistent with the management goal of the Pinal AMA pursuant to A.A.C. R12-15-705(H) is 125 gallons per capita per day.
16. As of the date of this Decision and Order, Santa Cruz has pledged a total of 2592.50 acre-feet per year of extinguishment credits to its designation, as shown in Appendix A to this Decision and Order. During the effective period of this Decision and Order, Santa Cruz intends to pledge additional extinguishment credits in support of its designation.
17. Santa Cruz is currently regulated as a large municipal provider under the Municipal Conservation Program in the Third Management Plan for the Pinal AMA. As of the date the application was filed, Santa Cruz had not been found to be out of compliance with the Third Management Plan.
18. In accordance with ACC Rules and Regulations, Santa Cruz finances extensions of its distribution system through equity and by line extension agreements with owners of new developments. Any owner of a new subdivision served by Santa Cruz must prove financial capability to construct the necessary water infrastructure to the appropriate platting entity and the Arizona Department of Real Estate pursuant to Titles 9, 11, and 32 of Arizona Revised Statutes.
19. The water supply that Santa Cruz intends to provide its customers currently meets all federal and state water quality standards, based on compliance information provided by ADEQ.
20. The Director previously issued Certificates of Assured Water Supply for the following subdivisions within the Additional Area: Palo Brea (DWR No. 27-401143.0000), Smith Farms (DWR No. 27-401185.0000) and Maricopa Meadows (DWR No. 27-401309.0000) (collectively, "the Subdivisions"). In order to demonstrate that proposed groundwater withdrawals for these subdivisions will be consistent with the management goal for the Pinal AMA, extinguishment credits were pledged to each Subdivision. The extinguishment credits pledged to each of the Subdivisions total 623.82 acre-feet per year, as shown in Appendix A to this Decision and Order.

**Having reviewed the Findings of Fact, the Department makes the following Conclusions of Law:**

1. An annual volume of 25,575.21 acre-feet per year of groundwater is physically, continuously and legally available to Santa Cruz for a minimum of 100 years as prescribed in A.A.C. R12-15-703.



1 This annual volume of groundwater exceeds Santa Cruz's estimated water demand, which is  
2 23,477.30 acre-feet per year.

3  
4 2. In accordance with A.A.C. R12-15-705, Santa Cruz's use of groundwater is consistent with the  
5 management goal of the Pinal AMA.

6 3. The water supply served by Santa Cruz currently meets the water quality requirements specified  
7 in A.A.C. R12-15-704.

8 4. In accordance with A.A.C. R12-15-706, Santa Cruz meets the standard established for  
9 determining consistency with the management plan for the Pinal AMA.

10 5. Santa Cruz has satisfied the financial capability criteria prescribed in A.A.C. R12-15-707.

11 6. Santa Cruz has satisfied all the requirements for a designation of an assured water supply.

12 **Having reviewed the Conclusions of Law, the Department hereby issues this Decision and**  
13 **Order designating Santa Cruz as having an assured water supply, subject to the following**  
14 **conditions:**

15 1. The Department reserves the right under A.A.C. R12-15-709(A) to periodically review and modify  
16 the designation for good cause as conditions warrant.

17 2. Pursuant to A.A.C. R12-15-709(A), the Department may revoke this designation at any time if the  
18 findings of fact or the conclusions of law upon which the designation is based change or are  
19 invalid, or if an assured water supply no longer exists.

20 3. The Department's determination that an assured water supply exists for Santa Cruz is based on  
21 its analysis of the water supplies pledged by Santa Cruz.

22 4. Pursuant to A.A.C. R12-15-704, Santa Cruz shall satisfy any state water quality requirements  
23 established for its proposed use after the date of this designation.

24 5. Santa Cruz shall notify the Department when the ACC issues any final decision and/or order  
25 regarding its CC&N area.

26 6. This Decision and Order designating Santa Cruz as having an assured water supply shall apply  
27 to Santa Cruz's legally authorized service area, including the extension area.

28 7. It is expected that Santa Cruz will pledge additional extinguishment credits to its designation as  
its service area is developed. If Santa Cruz intends to add extinguishment credits to its

1 groundwater account, it must notify the Department's Office of Assured and Adequate Water  
2 Supply to add these credits to its groundwater account.

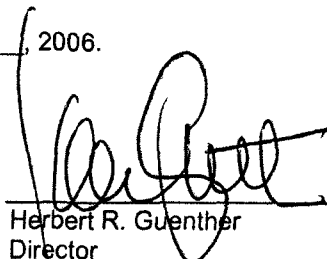
3  
4 8. Santa Cruz shall annually provide to the Department the following information in the manner  
5 prescribed in A.A.C. R12-15-711:

- 6 a. The estimated future demand of platted, undeveloped lots that will be located in Santa  
7 Cruz's service area.
- 8 b. The projected demand at build-out for customers with which Santa Cruz has entered into  
9 a notice of intent to serve agreement in the calendar year.
- 10 c. A report regarding Santa Cruz's compliance with water quality requirements.
- 11 d. The depth-to-static water level of all wells from which Santa Cruz withdrew water during  
12 the calendar year.
- 13 e. Any other information requested by the Director to determine whether Santa Cruz is  
14 continuing to meet all the requirements necessary to maintain this designation of assured  
15 water supply.

16 10. Any change in the administrative rule numbers cited in this Decision and Order shall have no  
17 legal effect. This Decision and Order designating Santa Cruz as having an assured water supply  
18 shall not be affected solely because the rule numbers cited herein may have changed after the  
19 effective date of this Order.

20 **IT IS HEREBY ORDERED THAT SANTA CRUZ WATER COMPANY BE DESIGNATED AS**  
21 **HAVING AN ASSURED WATER SUPPLY.**

22 DATED this 4th day of MAY, 2006.

23  
24   
25 Herbert R. Guenther  
26 Director  
27 Arizona Department of Water Resources  
28

1  
2 A copy of the foregoing  
3 **Decision and Order** mailed  
4 by certified mail this \_\_\_\_\_  
5 day of \_\_\_\_\_,  
6 2006, to the following:

Certified Mail No. \_\_\_\_\_

7 Sent by: \_\_\_\_\_  
8 Norma J. Coupaud

9 Cindy Liles  
10 Global Water Resources, LLC  
11 21410 North 19<sup>th</sup> Avenue, Suite 201  
12 Phoenix, Arizona 85027

13 First class mail copies to:

14 Southwest Groundwater Consultants  
15 3900 E. Camelback Rd. Suite 200  
16 Phoenix, Arizona 85018

17 Shilpa Hunter-Patel  
18 Withey Anderson & Morris PLC  
19 2525 East Arizona Biltmore Circle, Suite A-212  
20 Phoenix, Arizona 85016-2133

21 Mr. Roy Tanney  
22 Arizona Department of Real Estate  
23 2910 N. 44th Street  
24 Phoenix, Arizona 85018

25 Mr. Randy Edmond  
26 Pinal AMA  
27 1729 N. Trekell Rd., Suite 105  
28 Casa Grande, Arizona 85222

# **APPENDIX A: Summary of Santa Cruz Water Company Extinguishment Credits** Designation of Assured Water Supply for Santa Cruz Water Company 26-401667.0000

Extinguishment No.	Acre-feet/year	Pledged to:
<b>Santa Cruz Water Company pledged extinguishments:</b>		
58-102952.0012	53.64	26-401667.0000 (Modification of 26-400804.0000)
58-102625.0008	160.50	26-401667.0000 (Modification of 26-400804.0000)
58-150035.0009	360.00	26-401667.0000 (Modification of 26-400804.0000)
58-150035.0007	282.00	26-401667.0000 (Modification of 26-400804.0000)
58-102625.0011	600.15	26-401667.0000 (Modification of 26-400804.0000)
58-102952.0008	207.30	26-400804.0000 (Modification of 26-400360.0000)
58-102952.0009	232.60	26-400804.0000 (Modification of 26-400360.0000)
58-102952.0010	42.00	26-400804.0000 (Modification of 26-400360.0000)
58-102952.0003	450.01	26-400360.0000 (Original designation)
58-111746.0003	204.30	26-400804.0000 (Modification of 26-400360.0000)
<b>TOTAL</b>	<b>2592.50</b>	

<b>Extinguishment Credits pledged to the Subdivisions:</b>		
58-102329.0005	329.10	27-401014.0004 (Maricopa Meadows - later re-issued as 27-401309.0000)
58-109710.0002	210.31	27-401185.0000 (Smith Farms)
58-103658.0004	84.41	27-401143.0000 (Palo Brea)
<b>Subtotal</b>	<b>623.82</b>	
<b>TOTAL</b>	<b>3216.32</b>	

# **EXHIBIT**

**"C"**

## **MEMORANDUM OF UNDERSTANDING**

**THIS MEMORANDUM OF UNDERSTANDING** (this "MOU") is entered into as of December 6, 2005 between Global Water Resources, LLC, a Delaware limited liability company ("Global"), and the City of Maricopa, a municipal corporation ("City").

### **RECITALS**

WHEREAS Global is engaged in the business of providing water, wastewater and reclaimed water infrastructure services both inside and outside the jurisdictional boundaries of the City;

WHEREAS Global is the owner of Santa Cruz Water Company, LLC ("SCW") and Palo Verde Utilities Company, LLC ("PVU") (collectively "Utility Companies") and provides utility services through these entities;

WHEREAS SCW and PVU are Arizona public service corporations defined in Article 15, Section 2, of the Arizona Constitution and, as such, are regulated by the Arizona Corporation Commission ("ACC"). SCW and PVU have been issued Certificates of Convenience and Necessity ("CC&N") by the ACC to provide water and waste water services (collectively the "Utility Services"), respectively in designated geographic areas within the State of Arizona;

WHEREAS the City is experiencing rapid growth, and in order to facilitate and manage further growth, the City wishes to strengthen its relationship with Global and its Utility Companies by working with them to generally improve the quality of Utility Services within the City;

WHEREAS the City intends to facilitate and manage further growth in accordance with its obligations under the Growing Smarter legislation and Growing Smarter Plus legislation enacted into law by the Arizona Legislature;

WHEREAS the City is in the process of annexing certain real property, as more fully

described on Exhibit A hereto (the "Subject Territories") and, in connection therewith, the Parties desire to work closely and cooperate with each other to assist the orderly assimilation of these areas;

WHEREAS the City is supportive of Global's pending application to the ACC for expansion of its CC&N for Utility Services in the areas formerly known as the 387 District Areas and the Parties acknowledge that the expansion of the CC&N over the Subject Territories may not be finalized until such time as the appropriate Arizona Department of Water Resources ("ADWR"), Arizona Department of Environmental Quality ("ADEQ") and Central Arizona Association of Governments ("CAAG") permits and approvals are in place and the Parties acknowledge that it will require cooperation and mutual support to achieve the necessary regulatory approvals;

WHEREAS the Parties wish to form a Public Private Partnership which will benefit both Parties and significantly enhance and streamline the manner in which the Parties currently work together;

WHEREAS the Parties believe such a Public Private Partnership currently represents the most cost-effective and efficient solution to the water and wastewater challenges facing the City's current and anticipated future residents;

WHEREAS the Parties believe that such a Public Private Partnership will result in the harmonization of rates within Global's service area, thereby mitigating customer confusion regarding rates and utility services;

WHEREAS the City seeks to increase its involvement in the water and wastewater business within its current municipal limits and its entire planning area;

WHEREAS the City seeks innovative revenue streams that maintain the City's long-term fiscal health and defray cost impacts that may occur in areas that are outside current municipal limits but within its planning area;

WHEREAS the Parties acknowledge Global's commitment to the City to date, including

Global's material capital expenditures, its expressed intent to be a contributing corporate citizen in the community, and its desire to have a positive working relationship with the City;

WHEREAS the Parties acknowledge the significant material capital expenditures and the consequent strong commitment that will be required by Global to meet the challenges created by the current rapid growth occurring within the City, and the anticipated continuing future growth;

WHEREAS the Parties acknowledge the universal importance of water and wastewater services to all governmental jurisdictions, the unique challenges faced by the City in meeting the needs of the development community, and the unprecedented growth the City is currently experiencing;

WHEREAS the Parties acknowledge that the following terms are not intended to limit or increase the legal responsibilities of the City nor the statutory requirements of Global or its Utility Companies;

**NOW, THEREFORE,** for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Acquisition of the Assets of Sonoran Utilities Services LLC. The City of Maricopa will support the acquisition of the assets of Sonoran Utilities Services LLC by Global, the dissolution of the 387 Districts, and Global's submission to the ACC to acquire the CC&Ns required to provide the Utility Services in the areas formerly known as the 387 District Area, and in the future use of the assets and/or rights acquired from Sonoran with respect to those areas within Global's Planning Area as more particularly described on Exhibit C attached hereto and incorporated herein by this reference.

2. Coordination and Communications. Staff of the City and Global shall meet on a regularly scheduled monthly basis, and more or less often as needed by mutual consent. City representatives at these meetings shall normally be the City Manager, the Public Works Director, and the Planning Director, and/or their designees. Global's representatives at these meeting shall normally be the President, the Chief Financial Officer and the Manager of Construction, or their designees. Other meetings with other representatives may be arranged as needed.



3. Annual Report to the City of Maricopa. Global shall submit an Annual Report to the Mayor and City Council. This Annual Report shall normally be submitted by April 1st each year, unless the Parties agree on a different date. The report shall include: Annual revenues and expenditures, total number of water and wastewater customers, customers added this past year, number of customers anticipated to be connected next year, water and wastewater facilities completed in preceding year, planned projects for the next year(s), and a copy of the annual report to the ACC. Global shall provide free of charge to the City copies of any annual reports Global provides to ADEQ and/or ADWR.

4. Proposed Rate and/or Fee Adjustments. Global shall submit proposed rate and/or fee adjustments to the Mayor and City Council for review and comment prior to submission to the ACC. Global shall allow the City thirty days for the Mayor and City Council to conduct a public hearing at the City's next regularly scheduled City Council meeting regarding the proposed rate and/or fee adjustment before submission to the ACC.

5. Operating/License Agreement and Fees. The parties shall enter into an operating/license agreement for utility services provided within the City's current and existing incorporated limits, and for utility services provided within Global's Planning Area (as set forth on Exhibit C attached hereto which relates to areas outside of the City's current and existing incorporated limits), with the understanding that the City will endeavor in good faith to promptly replace the operating/license agreement with a franchise agreement on or before October 15, 2007 in the event that the ACC Order provided for below has not been entered by April 14, 2006. Pursuant to the operating/license agreement, and subject to the earlier of (i) entry of a final order (the "ACC Order") by the Arizona Corporation Commission approving the fee provided for herein; or (ii) April 14, 2006, a fee of 3% of Gross Revenues as it relates to consumptive use of water and wastewater by residential and commercial customers within the existing incorporated limits of the City, the Subject Territories and in Global's Planning Area shall be paid by Global to the City of Maricopa. If the ACC Order has not been entered by April 14, 2006 following diligent efforts (which the City will in good faith support and take reasonable steps to cause other interested parties to support), then the fee of 3% as provided for above shall be reduced to 2% with respect to the consumptive use of water and wastewater residential and commercial customers located outside the jurisdictional limits of the City but within Global's Planning Area;

however, if any property located outside the City's jurisdictional limits becomes a part of the City's jurisdictional limits through an annexation, then the fee shall automatically be increased from 2% to 3% for the annexed property on the date the annexation is effective. In the event the ACC declines to enter the ACC Order, the City will then proceed with a franchise election (at Global's cost) seeking approval of the fees provided for in this Section 5 and to grant Global a franchise in connection therewith for a term of 25 years. The franchise election shall take place on a date to be set by the City and shall occur no later than the earlier of 18 months following the ACC declining to enter the ACC Order or October 15, 2007. Upon the request of Global, the City agrees to continue to cause franchise elections to occur (at Global's cost) on at least an annual basis seeking approval of the franchise provided for herein. All of the foregoing payments shall be made on a quarterly basis. Gross Revenues shall include base fees, consumptive fees, and industrial and commercial reclaimed water sales but shall not include revenues as they arise from hook up fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, account handling fees, or bulk service rate on the sale of construction water. The parties acknowledge that Global will seek the consent of the ACC to allow for inclusion of all fees described within this Section in the monthly consumptive billing of the utilities. The fees provided for in this Section 5 are flow through fees to PVU and SCW and are incremental to the rates currently set in place by the ACC; however, if the ACC does not approve these fees to be added to the monthly consumptive billings of the Utility Companies, Global shall pay the fees as an operating expense.

6. Financing Options. The City of Maricopa shall explore potential financing options for Global to finance its projects within the City. Global and City will commit to jointly funding the formation of the necessary structures required to access Industrial Development Authority finances. If the City and Global agree to jointly finance a project, the Parties will enter into a separate agreement for each project.

7. Local Office. Global shall maintain an office at the City of Maricopa's new City Hall primarily for customer service or in the alternative at its Maricopa headquarters facilities to be located at the Palo Verde Water Reclamation Campus. Global will make this decision with input from the City. If Global elects to maintain an office at the new City Hall, the Parties will enter into a separate lease agreement for that office.

8. Conservation Efforts. The City will assist Global in promoting community and school water conservation programs. Assistance may include distribution of educational materials and access to making presentations at City and school functions.

9. Reclamation Projects. The City and Global will explore water reclamation projects for parks and school playgrounds, and will encourage the development of light commercial and industrial uses of reclaimed water. If financially feasible, as determined by the City, the City will install dual plumbing in all future City owned buildings such that reclaimed water can be used to flush toilets and serve other non-potable water demands, per Global's guidelines and State and Federal law. The City shall bear the cost of this infrastructure, and shall provide signage to announce the use of reclaimed water in all public places to assist with conservation and public education efforts.

10. Economic Development. The City and Global will explore possible joint efforts to support industrial and commercial uses in the City. Global will augment the City's economic development efforts with its corporate network wherever possible. The City and Global will explore co-funding of specific employment generating economic development initiatives and participate on economic development committee(s).

11. Land Use Planning and Water/Wastewater Planning. Global shall prepare an annual "Plan for Growth" for the City of Maricopa's planning area. The City staff shall provide input and comments on changing land use and density patterns to assist Global in this planning effort. Global shall submit its annual "Plan for Growth" report to the Mayor and City Council by April 1st, unless the Parties agree to a different date.

12. Fee. *Effective January 1, 2006* Global shall pay a voluntary fee totaling Fifty Dollars (\$50.00) for each residential home connecting to Global's water and wastewater system within the jurisdictional limits of the City, as amended from time to time. The fee will assist the City in defraying administrative costs for water and wastewater services. The voluntary fee shall be increased to One Hundred Dollars (\$100.00) for all other areas within Global's Planning Area (attached hereto as Exhibit C, exclusive of the Ak-Chin Indian Reservation). The fee shall be payable quarterly in arrears and will become due upon the connection of a water meter to an occupied residential dwelling by a homeowner.

13. Community Outreach. The City and Global shall work cooperatively to prepare, cost-share (in-kind services such as web hosting, graphic design, etc. is considered equitable to actual funds), and disseminate a community outreach packet. The community outreach packet will be a collaborative effort by multiple entities within the City, to be distributed to existing and new homeowners. Global will explore commitments to fund and conduct extensive water conservation programs and outreach education programs to promote water conservation in the community, schools, and public facilities. Global will explore co-sponsoring significant water reclamation demonstration projects. Global will support community events with bottled water and a presence at all major municipal functions and events.

14. Geographic Information System and Information Technology. The City and Global shall work collaboratively in developing and updating the City's Geographical Information System ("GIS"). This may include data sharing and/or integration, cost-sharing on GIS surveying, cost-sharing on a GIS Geodesic Marker, and other GIS related administrative items. The City and Global shall share and integrate SCADA systems, CCD Security Data and Vulnerability Preparedness, Emergency, Operations, and Rapid Response Plans, Broadband Wireless network sharing, and Internet Site Linking. The City and Global shall also explore opportunities for collaborative billing services.

15. Annexation. Global shall support the annexation efforts of the City. Global shall support the City's efforts to manage and coordinate development in Global's Planning Areas. Global will provide water and wastewater modeling services to determine the impact of proposed developments. Global will share and publish long-term master plans with the City and continuously update the plans so that the water and wastewater infrastructure is coordinated with the City's infrastructure plans.

16. Permits. The City will endeavor to streamline permit issuance, plan review, and related design and construction regulatory issues for Global. The City will endeavor to treat Global's permitting submissions as a priority and shall provide the highest priority review the City can produce in order to return permits promptly. The City will endeavor to assist and support Global's efforts to obtain CAAG 208, CC&N, ADEQ, ADWR and other regulatory approvals required within the Subject Territories. If the City cannot provide a prompt review of

Global's permits or plans, Global shall have the option of reimbursing the City for any costs incurred by the City if the City, at Global's request, hires an outside consultant to expedite the review of Global's permits and plans.

17. Maricopa Domestic Water District. The City and Global will consider and cooperate in achieving operational integration efforts and the potential sale of water to Global by the Maricopa Domestic Water District.

18. Designated Management Area. The City and Global shall work together to facilitate the designation of the City of Maricopa as a Designated Management Agency to implement and enforce the portions of the area wide Water Quality Management Plan within its designated area, which will be the City's current planning area, as illustrated by the City of Maricopa General Plan.

19. Joint Actions and Conditions. In order to effectuate this MOU, and in addition to the actions otherwise set forth herein which shall in good faith be pursued by the parties hereto, the parties shall undertake (or the parties shall support one another in taking) the following actions in good faith:

- a. ACC approval of SCW and PVU's proposed expansion of the CC&N over Global's Planning Area;
- b. Execution and approval of an operating/license agreement with the City for Utility Services provided within the City's current and existing jurisdictional boundary and for Utility Services provided outside the City's current and existing jurisdictional boundary but within Global's Planning Area;
- c. ACC approval of the operating/license agreement described in Section 5 and Section 19(b) above;
- d. ACC approval of Global's request for inclusion of all fees set forth in Section 5 above in the monthly consumptive billings of the Utility Companies.

e. If necessary, the franchise election provided for in Section 5 above.

20. Effective Date. Except as otherwise set forth herein, the obligation of the parties pursuant to this MOU shall commence thirty days after approval of said MOU by the Maricopa City Council.

21. Entire Agreement. This MOU contains the entire agreement between the parties hereto and supersedes all previous communications, representations or agreements, written or verbal, with respect to its subject matter.

22. Construction. This MOU shall be construed in accordance with the laws of the State of Arizona.

23. Modification or Amendment. This MOU may not be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by the all parties hereto.

24. Jurisdiction, Venue and Attorneys' Fees and Costs. Subject to the provisions of this MOU, the prevailing party in any arbitration, proceeding, lawsuit, appeal or other proceeding brought to enforce or otherwise implement the terms and conditions of this MOU shall be entitled to an award of attorneys' fees and costs from the losing party. Jurisdiction and venue shall be in Pinal County, Arizona.

25. Mediation/Arbitration. In the event that any dispute arises between the parties to this MOU, the parties first shall attempt to find a neutral person, who is mutually acceptable to both parties, and who has experience in matters such as those provided for in this MOU, and request that person to mediate the dispute. In the event that such mediation is not undertaken or successfully concluded within 45 days after the dispute arises, the parties to any such dispute shall submit the dispute to binding arbitration in accordance with the rules of commercial arbitration ("Rules") for the American Arbitration Association ("AAA"). If the claim in the dispute involves a non-monetary default or breach or does not exceed One Hundred Thousand Dollars (\$100,000), there shall be a single arbitrator selected by mutual agreement of the Parties, and in the absence of agreement, appointed according to the Rules. If the claim in the dispute,

exceeds One Hundred Thousand Dollars (\$100,000), the arbitration panel shall consist of three (3) arbitrators, one of whom shall be selected by each party and the third, who shall serve as chairman, shall be selected by the AAA. The arbitrator or arbitrators must be knowledgeable in the subject matter of the dispute. The costs and fees of the arbitrator(s) shall be divided equally among the parties. Any decision of the arbitrator(s) shall be supported by written findings of fact and conclusions of law. The decision of the arbitrator(s) shall be final, subject to the exceptions outlined in the Arizona Uniform Arbitration Act, A.R.S. § 12-1502, et seq., and judgment may be entered upon the same. The arbitrator(s) shall control discovery in the proceedings and shall award the prevailing party its reasonable attorneys' fees and costs. Any arbitration arising from this MOU shall occur within Pinal County, or at any other location mutually agreed to by the Parties.

26. Assignment. The terms and conditions of this MOU shall bind and inure to the benefit of the parties hereto and their successors and assigns and legal representatives. Neither Party shall be allowed to assign this MOU without the express written consent of the other Party.

27. Waiver. Any waiver of any provision of this MOU shall not constitute a waiver of any other provision, whether or not similar, nor shall any waiver be a continuing waiver. A party may waive any provision of this MOU intended for its benefit; provided, however, that such waiver shall in no way excuse the other parties from the performance of any of their other obligations under this MOU.

28. Section Headings. The section headings used herein are for reference only and shall not enter into the interpretation hereof.

29. Relationship of Parties. Nothing contained in this MOU shall be deemed or construed to create the relationship of principal and agent or of limited or general partnership or of joint venture or of any other association between the City and Global.

30. Notices. Any notices given pursuant to this MOU shall be in writing and shall be personally delivered or deposited in the United States mail, certified mail, postage prepaid, return receipt requested, to a party hereunder. Notices shall be deemed given and received when

personally delivered or three (3) days after deposit in the United States mail to the address set forth below such party's signature.

31. Time of Essence. Time is of the essence for all purposes of this MOU.

32. Conflict of Interest. This Agreement is subject to the conflict of interest provisions set forth in A.R.S. § 38-511.

IN WITNESS WHEREOF, each of the parties has executed this MOU as of the date first above written.

**CITY OF MARICOPA**

**GLOBAL WATER RESOURCES, LLC**

By: 

By: 

Title: Mayor

Title: PRESIDENT GWR

Address: \_\_\_\_\_

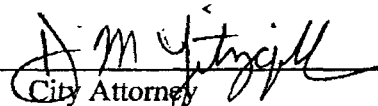
Address: 2201 N. 19TH AVE, Ste 210  
PHOENIX, AZ 85027

ATTEST:

By: 

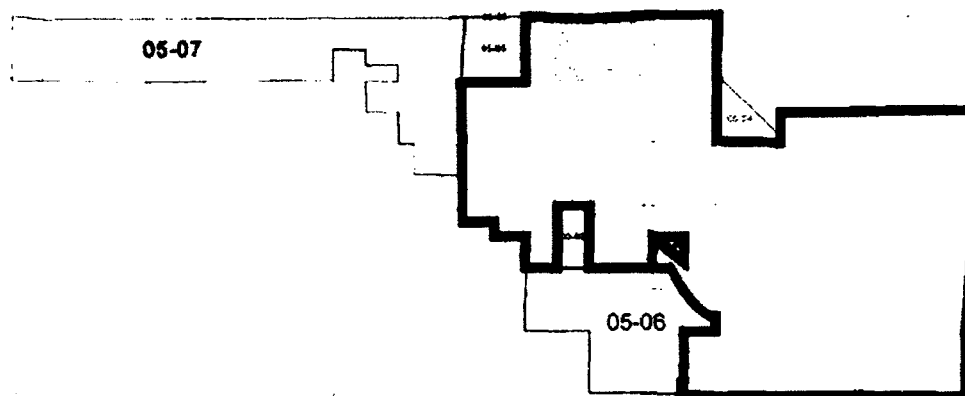
City Clerk






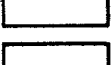
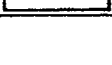
APPROVED AS TO FORM:

  
City Attorney

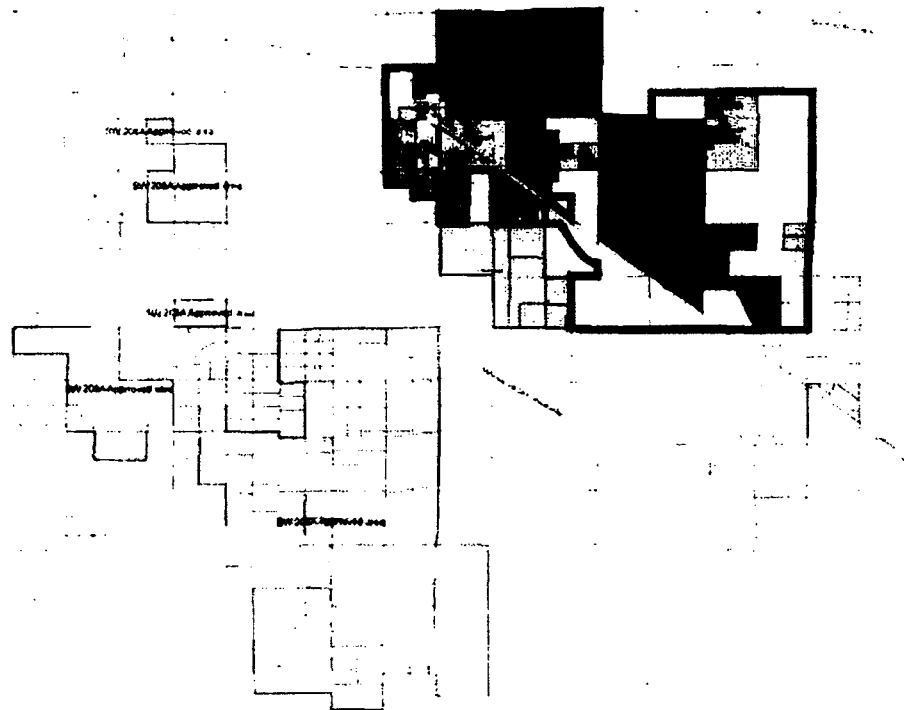


**EXHIBIT A- SUBJECT TERRITORIES** *(As defined in this MOU includes the current jurisdictional limits for the City of Maricopa and the Annexation Petitions that are currently pending with the City of Maricopa)*









Legend	
	City Limits
	Gila River Reservation
	Maricopa (Ak-Chin) Reservation
	Annex 05-07
	Annex 05-04
	Annex 05-05
	Annex 05-06

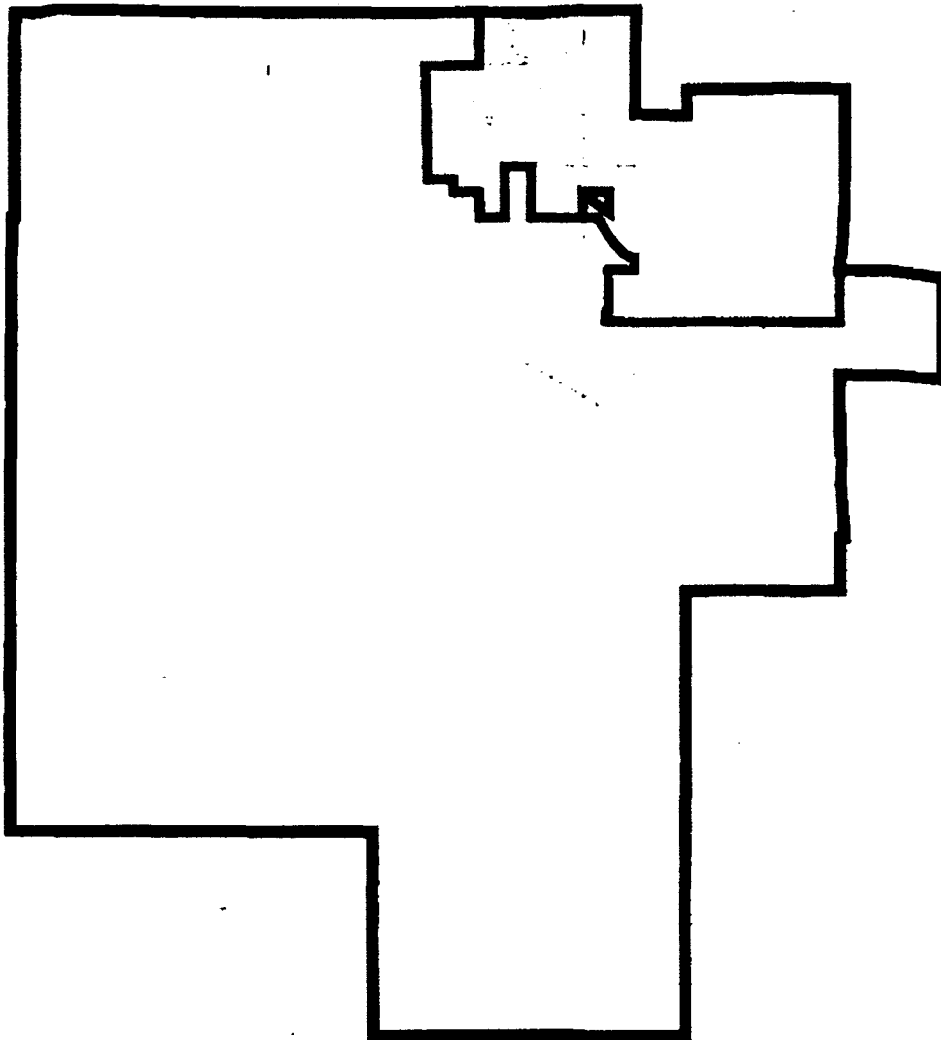
## EXHIBIT B – GLOBAL SERVICE AREA



### Legend

	City Limits		Global_Water	Gila River Reservation
			SW208_Aproved	Maricopa (Ak-Chin) Reservation
			Sonoran 387 acuisition	

**EXHIBIT C – GLOBAL'S PLANNING AREA**



**Legend**



City Limits

Planning

Gila River Reservation

Maricopa (Ak-Chin) Reservation