

# COB - BOSAIR FORM

04/24/2026 4:01 PM (MST)

Submitted by Nancy.Cole@pima.gov



## BOARD OF SUPERVISORS AGENDA ITEM REPORT (BOSAIR)

**\*All fields are required. Enter N/A if not applicable. For number fields, enter 0 if not applicable.\***

Record Number: SC CA SC2600000078

**Award Type:** Contract

**BOSAIR Activity:** Board Meeting Request

**Requested Board Meeting Date:** 05/12/2026

**Supplier / Customer / Grantor / Subrecipient:** Arizona Water Company

**Project Title / Description:** Agreement for the Operation and Maintenance of Water Distribution System [Acting as the Ajo Domestic Water Improvement District]

**Purpose:** This agreement is for the Ajo Domestic Water Improvement District (ADWID) to retain Arizona Water Company as the ADWID's manager and agent to operate, maintain, manage, and repair the water distribution system, including billing functions and preparing and filing reports required by regulatory agencies. The ADWID intends to sell to Arizona Water Company which requires Arizona Corporation Commission approval prior to closing, and this interim operational agreement will ensure water services continue until completed. Historically, ADWID operations have been completed by volunteers, which is no longer sustainable. This represents the next step in ensuring continued water delivery to the community.

On December 2, 2025, the Board of Supervisors assumed authority over ADWID and began serving as its Board of Directors. Arizona Water is the water provider for the area that entirely surrounds the current ADWID service area. Domestic Water Improvement Districts are separate legal entities. Counties are neither responsible nor liable for any of the costs of the district's public infrastructure, nor for any liability, debt or obligation of the district.

**Procurement Method:** N/A

**Program Goals/Predicted Outcomes:** The Ajo Domestic Water Improvement District will retain Arizona Water as it's manager and agent to operate, maintain, manage, and repair the water distribution system, including billing functions and preparing and filing reports required by regulatory agencies.

**Public Benefit and Impact:** The Ajo Domestic Water Improvement District (ADWID) will continue to provide essential water service to approximately 150 connections in the Town of Ajo. Historically, operations have relied on volunteers, which is no longer sustainable.

**Strategic Plan Pillar** • Infrastructure & Growth

TO: COB, 4/29/26 (1)  
VERSION: 0  
PAGES: 40

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**Support of Prosperity Initiative:** • N/A

**Provide information that explains how this activity supports the selected Prosperity Initiatives** N/A

**Metrics Available to Measure Performance:** The ADWID will continue to operate and provide water to customers.

**Retroactive:**

NO

## Contract / Award Information

Record Number: SC CA SC2600000078

**Document Type:** SC

**Department Code:** CA

**Contract Number:** SC2600000078

**Commencement Date:** 05/12/2026

**Termination Date:** 05/11/2028

**Supplier / Subrecipient Headquarters Location** Phoenix, AZ

\* Headquarters information is not a consideration for awards

Total Expense Amount:

\$0.00

Total Revenue Amount:

\$0.00

**Funding Source Name(s) Required:** ADWID operates as a separate district funded through user fees. This contract is at no cost to the County.

**Funding from General Fund?**

NO

**Contract is fully or partially funded with Federal Funds?**

NO

**Contract is fully or partially funded with Non-Federal Grant Funds?**

NO

**Were insurance or indemnity clauses modified?**

YES

**Vendor is using a Social Security Number?**

NO

Department: County Administration

Name: Carmine DeBonis, Jr.


Telephone: 520-724-2970

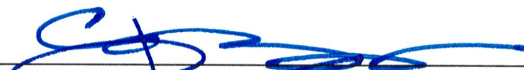
Add Procurement Department Signatures

No

Add GMI Department Signatures

No

Department Director Signature:  Date: 4/28/2024

Deputy County Administrator Signature:  Date: 4/28/2024

County Administrator Signature:  Date: 4/28/2024

AGREEMENT FOR THE OPERATION AND MAINTENANCE OF WATER  
DISTRIBUTION SYSTEM

THIS AGREEMENT FOR THE OPERATION AND MAINTENANCE OF WATER DISTRIBUTION SYSTEM ("Agreement") is made as of the 12th day of May, 2026 between ARIZONA WATER COMPANY, an Arizona public service corporation ("Arizona Water"), and the AJO DOMESTIC WATER IMPROVEMENT DISTRICT, an Arizona domestic water improvement district ("District") (each a "Party" and together the "Parties").

RECITALS

A. Pursuant to A.R.S. §§ 48-1011, et seq., District is authorized to provide water service within and outside the area delineated by District's jurisdictional boundaries. District represents that, to protect the public health and safety and to ensure that water service is continuously available in sufficient quality and quantity, District provides water service indefinitely to all areas within District's boundaries (the "Water Service Area"). A map showing the Water Service Area is Exhibit A to this Agreement.

B. District owns and operates a water distribution system that serves potable (or domestic) water to approximately 150 customers in the Water Service Area (the "Water Distribution System"). The Water Distribution System includes a water storage tank, water mains, service lines, valves, meters, and related equipment to serve the Water Service Area.

C. District obtains water supply through the purchase of wholesale potable water through the applicable tariff of Ajo Improvement Company. District does not currently intend to construct a plant facility for the treatment of surface or other water supplies.

D. The Pima County Board of Supervisors currently acts as the District's Board of Directors.

E. Arizona Water has the necessary experience and resources to operate, maintain, manage, and repair the Water Distribution System. District does not currently have the resources or manpower to operate and manage the Water Distribution System. Accordingly, District desires to engage Arizona Water to supply the professional services and expertise necessary to operate, maintain, manage, and repair the Water Distribution System, including providing billing services and preparing and filing reports required by regulatory agencies.

F. District therefore desires to retain Arizona Water as its manager and agent to operate, maintain, manage, and repair the Water Distribution System, including billing functions and preparing and filing reports required by regulatory agencies. Arizona Water desires to be retained by District for these purposes.

AGREEMENT

NOW, THEREFORE, for and in consideration of the following covenants and promises, and for other good and valuable consideration, the receipt and sufficiency of which the Parties

hereby acknowledge, the Parties hereto amend the Agreement as follows:

1. Nature of this Agreement. Subject to the terms and conditions of this Agreement including the Recitals set forth above, which are incorporated into this Agreement by this reference, District hereby retains Arizona Water as its agent to operate the District and to maintain, manage, and repair the Water Distribution System on the terms set forth in this Agreement. From time to time, the Water Service Area may be expanded to include additional lands in accordance with Sub article 9.3 of this Agreement.

2. Contingencies/Conditions Precedent.

2.1 Approval by Board of Directors. This Agreement will become effective upon approval by a vote of the District's Board of Directors at a public meeting and both Parties signing this Agreement (the "Effective Date").

2.2 Term of Agreement. This Agreement will continue in effect for a period of two (2) years after the Effective Date or until Arizona Water closes a purchase of the assets of the District and obtains Arizona Corporation Commission approval of an extension of its Certificate of Convenience and Necessity to include the Water Service Area, whichever is earlier (the "Term"). The Term will be extended automatically for one additional two (2) year period unless either Arizona Water or District gives at least six (6) months' written notice of termination prior to the end of the initial Term (the "Notice Date"). This Agreement will automatically terminate at the end of the automatic two-year extension period and thereafter neither Party will have any rights or be subject to any obligations imposed hereunder.

The Parties may also extend the Term in a writing signed by both Parties.

At least sixty days, but not more than one hundred twenty days, prior to the Notice Date, Arizona Water will notify District in writing of the date on which the Notice Date falls. If Arizona Water fails to give such notification to District in timely fashion, then District will have sixty days from whatever date it actually receives Arizona Water's written notification in which to exercise its right to terminate this Agreement at the end of the Term. By this means, the Parties intend to provide a mechanism that will prevent this Agreement from renewing automatically because the Notice Date inadvertently passed without District's knowledge or awareness.

2.3 Terms and Conditions of Water Service. Arizona Water will provide water service to District customers on the terms and conditions set forth in Arizona Water Company's Terms and Conditions Tariff No. TC-243, approved by the Arizona Corporation Commission (the "Terms and Conditions"). A copy of Arizona Water's Terms and Conditions Tariff No. TC-243 is Exhibit B to this Agreement.

3. Duties and Obligations of District. District's duties and responsibilities will include the following:

3.1 Easements and Rights-of-Way. District will, without expense to Arizona Water, acquire or obtain all easements or rights-of-way as may be necessary for the construction

operation, maintenance, and repair of the Water Distribution System.

3.2 Water Treatment. If the water in District's Water Distribution System does not comply with water quality standards as implemented from time to time by law or regulation, District will pay, or cause to be paid, any and all costs or expenses for acquiring replacement water, or for the design, construction, testing and certification of all water treatment facilities that may be required to meet applicable water quality standards. All such remedial measures will be undertaken without expense to Arizona Water. Once such remedial water treatment facilities are operational, the Parties will negotiate in good faith to adjust the fee charged to District in an amendment to this Agreement, or in a separate Agreement, to reflect any changes in operating, maintenance, and repair costs attributable to such water treatment facilities. District will not unreasonably refuse to increase the fee paid to Arizona Water as necessary to compensate Arizona Water for increased operating, repair, or maintenance costs arising from such remedial water treatment facilities provided, however, that Arizona Water will on demand from District provide to District records showing adequate justification for the increased fees.

3.3 Agreements with Agencies. Prior to the execution of any agreement with a regulatory agency that affects the rights of the Parties hereunder, the Party who desires to enter into any such agreement will consult with the other Party concerning the proposed regulatory agreement. Such Party will provide a copy of the regulatory agreement to the other Party within ten (10) days after its execution.

3.4 Operating Permit. District will be responsible for obtaining from the Arizona Department of Environmental Quality, or Pima County Department of Environmental Quality, whatever is applicable, a public water system operating permit for the Water Distribution Systems.

3.5 New Sources. District will obtain the approval of all appropriate regulatory agencies for the use of all new sources of supply for the water delivered through the Water Distribution System. Once such approval has been obtained, District will provide proof of the approval to Arizona Water.

3.6 Claims under Warranty. In the event that portions of the Water Distribution System are found to be deficient or defective and such deficiencies or defects are covered by warranties, either expressed or implied, then Arizona Water and District will cooperate in the repair of the defects or deficiencies, and the collection of amounts that may be due to District under applicable warranties.

3.7 Applications for Service and Development Agreements or "Will Serve" Letters. This Agreement does not contemplate District receiving requests for new service and/or requests for Development Agreements or "Will Serve" letters from property owners or developers. If District receives any such applications for new service and/or requests for Development Agreements or "Will Serve" letters, the Parties will negotiate and if they successfully agree to terms write and sign and amendment to this agreement that will govern and describe the relationship between the Parties and their respective rights and obligations with respect to such requests for new service and/or requests for Development Agreements or "Will Serve" letters.

4. Limitations on District. During the term of this Agreement, or a renewal hereof, District agrees that it will not enter into agreements to allow or authorize entities to operate, repair, manage, or maintain any system for distributing potable water in the Water Service Area, or any other geographical areas to which this Agreement may be extended pursuant to Subsection 9.3.

5. Duties and Obligations of Arizona Water. Arizona Water will perform the following duties and responsibilities.

5.1 Standard For Operation and Management of the Water Distribution System. Arizona Water will manage, operate, maintain, and repair the Water Distribution System, and make necessary replacements of portions thereof within the Water Service Area in accordance with applicable laws and with customary and reasonable standards for the operation of public Water Distribution Systems in Arizona. Arizona Water will exercise the same degree of diligence and care with respect to managing, operating, maintaining, and repairing the Water Distribution System as Arizona Water exercises with respect to Arizona Water's own water systems. In allocating personnel and other resources between the Water Distribution System and Arizona Water's water systems, Arizona Water may favor its own water systems but will not unreasonably favor Arizona Water's water system over District's Water Distribution System. Arizona Water's operation of the Water Distribution System will be under the supervision of an operator ("Certified Operator") with an appropriate level of certification, as required by regulations promulgated pursuant to A.R.S. §§48-351, et seq.

5.2 Billings.

Arizona Water will establish a billing and service account for each customer receiving water from the Water Distribution System and will initially collect and deposit into its own account all deposits required. At each new water service connection established during the Term of this Agreement, Arizona Water will install water meters to measure the volume of water delivered to each customer on the Water Distribution System. The meter will be of a type specified by District.

In accordance with the Terms and Conditions, Arizona Water will read the water meter for each customer (in the Water Distribution System), determine volume of water delivered to each such customer, and bill customers that receive water from the Water Distribution System. Arizona Water will collect payments made by customers and initially deposit the same into its own account. Arizona Water will then remit to the District the payments collected from customers pursuant to Subsection 7.5.

If a customer disputes a bill, Arizona Water will be primarily responsible for resolution of the dispute. If a customer fails to pay for water delivered, Arizona Water will be primarily responsible for undertaking collection of delinquent accounts, and if need be, will discontinue water service in accordance with the Terms and Conditions. In all cases, the account receivable is the property of District. Within the Water Service Area, Arizona Water will establish water service and otherwise respond to service orders, customer inquiries, and requests for water service (including emergency requests and emergency service orders).

Arizona Water will not be responsible for uncollectible payments.

5.3 Water Quality Compliance.

(a) Regulatory Inspection and Testing. Neither District nor Arizona Water will be under any obligation to deliver water through the Water Distribution System until such time as all testing and inspection has been completed, and the safety of the Water Distribution System has been approved by the appropriate agencies. In the event that the Water Distribution System does not pass all testing and inspection, Arizona Water will notify District, which will be responsible for making the necessary repairs or undertaking the necessary remedial action to bring the Water Distribution System into compliance. Arizona Water will supervise any additional chlorination, bacteriological, pressure, or other regulatory testing, which may be required after such remedial action has been completed.

(b) Safe Drinking Water Act. As the operator of the Water Distribution System, Arizona Water will timely comply with all requirements, including water quality monitoring and reporting, imposed by the Safe Drinking Water Act, 42 U.S.C. §§300f, et seq., and regulations promulgated thereunder. If the water delivered through the Water Distribution System fails to meet water quality standards established under the Safe Drinking Water Act, Arizona Water will notify District within twenty-four (24) hours after Arizona Water' Certified Operator receives the notice of non-compliance. Arizona Water will use its reasonable and best efforts to notify District if it discovers any potential violations within 8 hours of such discovery. Arizona Water will be responsible for all required regulatory notifications including, if applicable, notifying customers that receive water from the Water Distribution System. If a legal enforcement action or civil suit (collectively, "Enforcement Action") is brought against either Arizona Water or District for violations of the Safe Drinking Water Act, District will be responsible for defending the Enforcement Action if it involves new distribution construction or the quality of the source of water. If the violation is attributable to Arizona Water' operation, management, maintenance or repair of the Water Distribution System, then Arizona Water will be responsible for defending the Enforcement Action. If, in any Enforcement Action, civil penalties or fines are levied against either Arizona Water or District, then the Parties hereto agree to apportion responsibility for the penalty or fine according to the relative faults of each. If the Parties hereto cannot agree on the apportionment of the penalty or fine, the Parties hereto will submit the dispute to the dispute resolution process outlined in Article 11 of this Agreement.

(c) Compliance with Other Environmental Laws. Arizona Water will also comply with all regulations governing the operation, management, maintenance and repair of the Water Distribution System, as promulgated by the Arizona Department of Environmental Quality, as set forth in Arizona Administrative Code ("AAC") Regulations R18-4-101, et seq., including but not limited to, backflow prevention requirements.

5.4 Compliance with "Blue Stake" Programs. As the manager of the Water Distribution System, Arizona Water will timely comply with all requirements imposed on District under A.R.S. § 40-360.21, et seq., for the location and protection of underground facilities. Notwithstanding the foregoing, in the event that District fails to provide Arizona Water with

accurate and correct "as-built" drawings pertaining to any part of the Water Distribution System within a timely manner, Arizona Water will not be responsible for any loss or damage arising from Arizona Water failure to accurately or properly "Blue Stake."

5.5 Reports of Water Use and Monthly Reports. Arizona Water will with remittances made pursuant to Subsection 7.5 provide to District a monthly report that shows amounts billed to customers, amounts collected from customers, the water deliveries, revenues to be remitted to the District, and other accounting data reasonably requested by District.

5.6 Customer Service. Arizona Water will provide notice to customers that they may address questions, concerns, and other customer service matters to Arizona Water's White Tank operations and customer service center within 10 business days of the Effective Date of this Agreement. The White Tank operations and customer service center is located at 19425 W. Monte Vista Rd, Buckeye, AZ 85396; Telephone- (623) 246-7570; Email- [WhiteTank@AZwater.com](mailto:WhiteTank@AZwater.com).

5.7 Price to Purchase Water From Ajo Improvement Company. Arizona Water will as the District's agent contact Ajo Improvement Company ("AIC") to determine if AIC would be willing to reduce the price AIC charges the District to purchase potable water. If AIC is willing to discuss or consider such a price reduction, Arizona Water will take reasonable actions to discuss and/or negotiate with AIC to obtain such a price reduction, if reasonably possible. Under the terms of this Agreement, Arizona Water will have no duty or obligation to invest any of its own funds to construct new water infrastructure that AIC might require or that might be operationally necessary to obtain such a price reduction.

5.8 Additional Duties. The Parties hereto agree that, from time to time, Arizona Water' duties and obligations may be expanded by a written, signed agreement of the Parties hereto, to include additional duties and obligations at rates to be agreed to between the Parties.

## 6. Limitations on Arizona Water.

6.1 Prohibitions on the Delivery of or Use of Water by Arizona Water. Arizona Water will not deliver water through the Water Distribution System to any customers on lands other than within District's Water Service Area without the prior written agreement of the Parties.

6.2 Waste Prohibited. Arizona Water agrees that it will not waste water, and further, that it will discourage the waste of water by customers who receive deliveries of water from the Water Distribution System, provided however, that Arizona Water will not be required to implement or enforce a water conservation program within the Water Service Area.

## 7. Payments and Remittances.

7.1 Water Distribution System Management Fee. District will pay to Arizona Water a monthly fixed fee of \$6,600 (the "Monthly Fee") to perform the work and activities described in this Agreement. A description of the components of the Monthly Fee is shown in Exhibit C.

(a) Arizona Water may adjust the Monthly Fee annually on the anniversary of this Agreement upon notice to and consultation with District's Board of Directors. The notice Arizona Water sends to District will include information supporting the adjusted Monthly Fee.

(b) On the second monthly anniversary of the Effective Date of this Agreement and every two months thereafter, the Parties' representatives will meet and confer to review the Monthly Fee, the District's revenues and expenses, and the District's cash on hand. If the District's finances show that the District will become unable to pay its necessary expenses within the next 60 days, Arizona Water and the District will discuss potential and possible changes to the District's operations and to the Monthly Fee, including possible reductions to the Monthly Fee and crediting unpaid amounts of the Monthly Fee to the purchase price Arizona Water may pay for the District's assets.

7.2 Repair and Maintenance of the Water Distribution System. Included in the Monthly Fee, Arizona Water will perform up to two small repairs per calendar month. A small repair is a repair that Arizona Water estimates will cost \$3,000 or less to complete. For repairs that Arizona Water estimates will cost more than \$3,000 and for three or more small repairs in a calendar month, Arizona Water will act as District's agent to hire a contractor to perform each such repair. District will directly pay each contractor's invoices and will also pay Arizona Water an additional fee of 5% of each such contractor's total price for Arizona Water's work to hire the contractor and to manage and inspect the contractor's work. Arizona Water will notify the District's representative by email and/or telephone prior to hiring a contractor pursuant to this Subsection 7.2 and will provide with such the notice a description of the repair work, a copy of Arizona Water's estimate to perform the repair work, and the contractor(s) Arizona Water plans to hire or to seek bids from to perform the repair. For emergency repairs Arizona Water may hire a contractor and instruct the contractor to proceed with the repair work without notifying the District's representative as described in this Subsection 7.2 and will thereafter provide to the District's representative the notice this Subsection requires by the next business day.

7.3 Other Work and Activities. For all work and activity that District requests Arizona Water to perform that is not specifically described and covered by this Agreement, the Parties' representatives will meet and confer to determine a fee for such work and activity that is acceptable to both Parties.

7.4 Payment by District. Arizona Water will bill District for the fees described in this Section 7 on a monthly basis. District will pay such invoices within fifteen (15) days of receipt. If a dispute arises over any invoice, District will promptly notify Arizona Water and the Parties will promptly meet and confer to resolve the disputed amount. In such instance, District will pay the amount invoiced "under protest." If the Parties are unable to resolve said dispute, the Parties hereto will submit the dispute to the dispute resolution process outlined in Section 11 of this Agreement.

7.5 Remittances to District by Arizona Water. Arizona Water will remit to the District the amounts from payments collected from customers during a calendar month by the 10<sup>th</sup> business day of the following month.

8. Additional Material Terms Necessary to Implement this Agreement.

8.1 Ownership of Water Distribution System. Arizona Water acknowledges that the Water Distribution System constructed or to be constructed in accordance with the terms of this Agreement is and will be the sole property of District. Unless Arizona Water closes a purchase of the Water Distribution System, upon termination of this Agreement the Water Distribution System of District will remain the sole property of District and will include any improvements and equipment provided by Arizona Water in the course of its operation, management, repair, and maintenance of the same.

8.2 Right of Access. During the term of this Agreement, or any renewal hereof Arizona Water will at all times have a right of reasonable access over any land, rights-of-way or easements owned or leased by District within District's Water Service Area, or reasonably adjacent thereto, for purposes of performing its obligations as defined hereunder. District will at all times have the right to examine and inspect the Water Distribution System, or any part thereof for the purpose of monitoring Arizona Water performance of this Agreement and for any other lawful purpose.

8.3 Extension of Water Service to Other Lands. From time to time, the Parties hereto may agree to extend the Water Distribution System, or construct or acquire new water systems or water system components, to serve lands that are not within ADWID's Water Service Area. Any such extension will be evidenced by a written amendment and following the amendment, water service will be provided to such additional lands, and the Parties will perform their obligations hereunder with respect to such additional lands.

8.4 Books and Records. Within ten (10) days after receiving a request for records or information from either Party, the Party receiving the request agrees to provide to the requesting Party the requested records or information, provided that the records or information are relevant to compliance with the terms and conditions of this Agreement and under the ownership or control of the Party receiving the request. At its own expense, the Party requesting the records or information will have the right at any time during office hours to make copies of or from the same.

9. Events of Default. Each of the following occurrences or events constitute an event of default ("Events of Default):

(a) District's failure to pay when due any and all amounts owed to Arizona Water under the terms and conditions of this Agreement.

(b) Arizona Water' failure to repair, operate, manage or maintain the Water Distribution System in accordance with this Agreement and with all applicable laws and with customary and reasonable standards for the operation of public water systems in Arizona.

(c) Either Party's material breach of any of the terms and conditions of this Agreement.

10. Dispute Resolution Process; Remedies. If an Event of Default occurs, or if dispute arises between the Parties to this agreement, then the following will apply:

10.1 Cure Periods. If an Event of Default occurs, then the non-defaulting Party will give the defaulting Party written notification of the default. If the default is of a monetary nature, the defaulting Party will have fifteen (15) days following receipt of the notification to cure the same by paying all amounts due hereunder. If the default is of a non-monetary nature, the defaulting Party will have thirty (30) days following the receipt of the notification to correct the non-monetary default, or if not possible to do so within that time period, to undertake substantial measures to cure the non-monetary default. If an Event of Default is not timely cured as set forth above, then the non-defaulting Party may terminate this Agreement and pursue any available remedy. Any dispute regarding such termination will be resolved as set forth below.

10.2 Dispute Resolution Process. The Parties to this Agreement acknowledge and agree that each will use good faith efforts to resolve through negotiation disputes or Events of Default arising hereunder without resorting to mediation, arbitration, litigation, or the District taking control of the Water Distribution System. In the event any dispute between the Parties or an Event of Default hereunder cannot be resolved through negotiation, and after the expiration of the applicable cure period as set forth above, the Parties agree to follow the following dispute resolution procedure as the exclusive method to resolve all disputes, claims and causes of action arising out of this Agreement.

The Parties to this Agreement acknowledge and agree that each will use good faith efforts to resolve through negotiation disputes arising hereunder without resorting to mediation, arbitration or litigation. In the event any dispute between the Parties cannot be resolved through negotiation, the Parties agree to follow the following dispute resolution procedure.

The dispute will first be submitted to the mediation process conducted by a mediator acceptable to both Parties. Either Party may submit a dispute to mediation at any time. Each Party will participate reasonably in such mediation process and will attempt in good faith to resolve the dispute through such mediation process. If the mediator determines that the dispute cannot be settled through mediation (or discontinues or declines to make the mediation process available to the Parties), then either Party may require that the dispute be submitted to binding arbitration as provided below.

In the event that mediation is unsuccessful, either Party may elect to submit the dispute to binding arbitration by giving written notice of such election to the other Party not later than thirty (30) days after the final action of the mediator. If such notice of election is given, the matter will be submitted promptly to binding arbitration in accordance with the rules of commercial arbitration then obtaining with the American Arbitration Association ("AAA") in Tucson, Arizona ("Rules"). If the claim in dispute does not exceed Ten Thousand Dollars (\$10,000), there will be a single arbitrator selected by mutual agreement of the Parties, and in the absence of such agreement, appointed according to the Rules. If the claim in dispute exceeds Ten Thousand Dollars (\$10,000), the arbitration panel will consist of three (3) members, one of whom will be selected by each Party and the third, who will serve as chairman, will be selected by AAA.

The arbitrator(s) must be knowledgeable in the subject matter in dispute and must reside in Arizona. The costs and fees of the arbitrator(s) will be divided equally between the Parties.

Any decision by the arbitrator(s) will be supported by written findings of fact and conclusions of law. The decision of the arbitrator(s) will be final, subject to the provisions of the Arizona Uniform Arbitration Act, A.R.S. Section 12-1501, et seq., and judgment may be entered on the same; provided however, that any decision of the arbitrator(s) may be appealed to the Superior Court of Pima County if it is based on an erroneous interpretation, application, or disregard of the law applicable to the dispute. The arbitrator(s) will control discovery in the proceedings and will award the prevailing Party its reasonable attorneys' fees and costs.

Notwithstanding the foregoing, however, a dispute concerning an action, decision, or omission of the District's Board of Directors, will, at either Party's option, be resolved through a civil action filed in Pima County Superior Court, and will not be submitted to binding arbitration.

10.3 Remedies. The remedies set forth in this Agreement are the exclusive remedies of the Parties for any and all claims or causes of action arising out of this Agreement.

10.4 Jurisdiction, Venue and Attorneys' Fees and Costs. The prevailing Party in any arbitration proceeding, lawsuit, appeal or other proceeding brought to enforce or otherwise implement the terms and conditions of this Agreement will be entitled to an award of attorneys' fees and costs from the losing Party. The Parties hereto consent to jurisdiction and venue in the Superior Court of Pima County, Arizona.

10.5 Force Majeure Events. Neither Party to this Agreement will be liable to the other for failure, default or delay in performing any of its obligations hereunder, other than for the payment of money obligations specified herein, in case such failure, default or delay is caused by strikes or other labor problems, by forces of nature, unavoidable accident, fire, acts of the public enemy, interference by civil authorities, passage of laws, orders of the court, adoption of rules, ordinances, acts, failures to act, decisions or orders or regulations of any governmental or military body or agency, office or commission, delays in receipt of materials, or any other cause, whether of similar nature, not within the control of the Party affected and which, by the exercise of due diligence, such Party is unable to prevent or mitigate the outcome ("Force Majeure Events"), provided, however, that the Party's failure, default or delay in performance will be excused only for so long as such cause or event is present. Should any such Force Majeure Event occur, the Parties hereto agree to proceed with diligence to do what is reasonable and necessary with respect to the Force Majeure Event so that each Party may perform its obligations under this Agreement. By this provision, the Parties do not waive or otherwise relinquish any claims either of them may have for consequential or any other damages which may result from interruptions not due to a Force Majeure Event.

10.6 District's Right to Take Control of the Water Distribution System. If District determines 1) that its ability to provide a sufficient quality of quantity of potable water to its current and/or future water customers is, or may become, impaired because of an Event of Default committed by Arizona Water, or because of the occurrence of a Force Majeure Event; and 2) that the circumstances pose a substantial and immediate threat to the public health, safety, or

welfare; and 3) that Arizona Water, for any reason, is unable, or unwilling, or will fail or has failed to rectify the problem then District may immediately enter and take control of all or any part of the Water Distribution System, either temporarily or permanently, with or without prior notice to Arizona Water; provided however, that if the circumstances permit, District will make a reasonable effort to discuss the situation with Arizona Water prior to taking action. Upon so taking control of all or any part of the Water Distribution System, District may immediately begin operating, managing, repairing, and maintaining the Water Distribution System or any part thereof, District will promptly notify Arizona Water that District has taken control of all or part of the Water Distribution System and thereafter, Arizona Water will cooperate reasonably with District in transferring the operation, management, repair, and historic records maintenance of the Water Distribution System, or part thereof to District. Any dispute concerning the propriety of District's actions in entering and taking control of the Water Distribution System or part thereof and any damages which either Party may have suffered in connection with such actions, will be resolved as set forth above in this Article.

11. Warranties.

(a) Arizona Water warrants and represents that it is in good standing with the Arizona Corporation Commission and is authorized to do business in Arizona.

(b) District warrants and represents that any Water Distribution System constructed to serve District's Water Service Area will be constructed in a workmanlike manner and in accordance with any and all standards for the construction of potable water systems in Arizona; provided however, that the failure of all or part of the Water Distribution System to be so constructed will not relieve the Parties of their rights, duties, and obligations to perform this Agreement.

(c) District warrants and represents that it has a valid agreement with Ajo Improvement Company under which Ajo Improvement Company provides potable water to the District and the Water Distribution System, that the agreement with Ajo Improvement Company will remain valid for the initial two year Term of this Agreement, and that the District will take all reasonable actions necessary to maintain validity of the agreement with Ajo Improvement Company during the entire Term of this Agreement, including extensions to this agreement.

(d) Both District and Arizona Water warrant and represent to the other that each has the power and authority to enter into this Agreement, subject only to the approvals necessary hereunder; and that no other agreements exist which would threaten or impair either Party's ability to comply with the terms and conditions set forth hereunder.

12. Insurance.

12.1 During the term of this Agreement, or any renewal hereof, Arizona Water will maintain the following insurance coverages:

(a) Commercial General Liability Insurance with a minimum limit of

liability, of \$1,000,000 combined single limit for each occurrence for bodily injury including death and property damage, said policy naming District as an additional insured.

(b) An Umbrella Policy with a minimum limit of liability of \$5,000,000.

(c) Automobile Liability Insurance with a minimum limit of liability of \$1,000,000 combined single limit for each occurrence for bodily injury, including death and property damage, said policy naming District as an additional insured.

(d) Workmen's Compensation Insurance in the benefit amounts, and occupational disease or disability insurance, as required by the laws and regulations of the State of Arizona.

12.2 During the term of this Agreement, or any renewal hereof, District will maintain standard fire and casualty insurance, including extended coverage to the full insurable value of the Water Distribution System, naming Arizona Water as an additional insured according to its insurable interest under these policies during the term of this Agreement.

### 13. Indemnification; Additional Insured Status.

13.1 With respect to claims or demands for damages, injuries or compensation brought against District by persons or entities who are not Parties to this Agreement, Arizona Water and its successors and assigns agree to indemnify, defend, and hold District harmless from any and all costs, charges, assessments, obligations, liabilities, damages, attorney fees, litigation costs, or judgments arising out of the negligent or willful acts or omissions of Arizona Water and its officers, agents, and employees relating to this Agreement or Arizona Water' performance or non-performance thereof.

13.2 The District will obtain and maintain during the entire Term of this Agreement a policy or policies of commercial general liability insurance with a combined single policy limit of not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate. Such insurance will name Arizona Water, its officers, agents, and employees as additional insureds and will apply on a primary and non-contributory basis. Such policies must be occurrence based policies, not claims made policies.

13.3 The Parties intend that neither District nor Arizona Water will be responsible for the wrongful, willful, or negligent acts of the other Party, or the other Party's officers, agents, or employees.

### 14. Miscellaneous Provisions.

14.1 Cancellation for Conflict of Interest. This Agreement is subject to cancellation for conflict of interest pursuant to A.R.S. § 38-511, the pertinent provisions of which are incorporated herein by reference.

14.2 Entire Agreement. This Agreement, including the attached Exhibits,

constitutes the complete, exclusive and final expression of the Parties' intent, and as such, supersedes all previous communications, representations or agreements, written or verbal with respect to its subject matter.

14.3 Construction. This Agreement will be construed in accordance with the laws of the State of Arizona. This Agreement is intended to represent the mutual agreement of the Parties hereto and will not be construed against either Party.

14.4 Limitation on Benefits of this Agreement. In executing this Agreement, the Parties hereto explicitly intend that:

- (a) There are no third-party beneficiaries under this Agreement.
- (b) The covenants, undertakings and agreements set forth in this Agreement will be solely for the benefit of, and will be enforceable only by, the Parties (or their respective successors and assigns as permitted hereunder).
- (c) No person or entity other than the Parties is or will be entitled to bring any action or enforce any provision of this Agreement against any Party.

14.5 Further Instruments. Each Party hereby agrees it will from time to time and at such time as may be required, take such further actions and execute such further documents as may be reasonably required and necessary to effectuate the provisions of this Agreement.

14.6 Assignment. The terms and conditions of this Agreement will bind and inure to the benefit of the Parties, their successors and assigns, and legal representatives. Neither Party hereto will assign its interests hereunder without first obtaining the prior written consent of the other Party. In the event that either Party attempts to assign its interests hereunder without first obtaining the prior written consent of the other, then such assignment will be null and void.

14.7 Waiver. No waiver of any provision of this Agreement will constitute a waiver of any other provision, whether or not similar, nor will any waiver be a continuing waiver. Either Party may waive any provision of this intended for its benefit; provided, however, that such waiver will in no way excuse the other Party from the performance of any of its other obligations under this Agreement. No failure or delay on the part of a Party in exercising any right, remedy, power or privilege hereunder and no course of dealing between the Parties will operate as a waiver or abandonment thereof, nor will any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

14.8 Section Heading. The Section and Subsection headings used herein are for reference only and will not be used to construe, define, extend or describe the scope of this Agreement or the intent of the Parties hereto.

14.9 Notice and Representatives.

(a) Notices. All notices given pursuant to the terms of this Agreement will be in writing and will further be deemed received upon personal delivery or transmission via telecopy thereof or if mailed, five (5) business days after deposit in the United States mail, postage prepaid, certified or registered mail, return receipt requested, to the Parties at the addresses set out below:

Notices hereunder will be sent to District addressed as follows:

AJO DOMESTIC WATER IMPROVEMENT DISTRICT  
Finance Director  
97 East Congress Street  
Tucson, Arizona 85701

or to such other address as District may notify Arizona Water in writing, and to Arizona Water at:

ARIZONA WATER COMPANY  
3805 North Black Canyon Highway  
Phoenix, Arizona 85015  
Attn: President

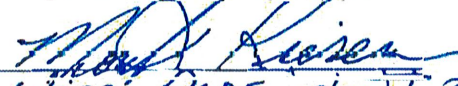
or to such other address as Arizona Water may notify District in writing.

(b) Representatives. The Parties will each appoint a representative with authority to speak and act on behalf of each Party. Each Party will notify the other of the identity of their respective representatives by notice to the other Party and with such notice include the phone number and email address for their representatives. The Parties will conduct day-to-day communication through their representatives. Except where specifically identified in this Agreement, including Subsection 7.2, all notices this agreement requires must be sent as provided in Subsection 14.9(a).

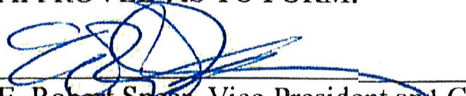
14.10 Time of Essence. Time is of the essence of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement as of the day and year first written above.

ARIZONA WATER COMPANY, an  
Arizona public service corporation

By:   
Its: Vice President Operations  
DA001214

APPROVED AS TO FORM:

  
E. Robert Spear, Vice President and General Counsel  
Attorney for Arizona Water Company

AJO DOMESTIC WATER IMPROVEMENT DISTRICT, an  
Arizona domestic water improvement district

Jen Allen, Chair, Board of Directors

ATTEST:

Melissa Manriquez, Clerk of the Board

APPROVED AS TO FORM:

  
Bobby Yu, Deputy County Attorney

**EXHIBIT LIST**

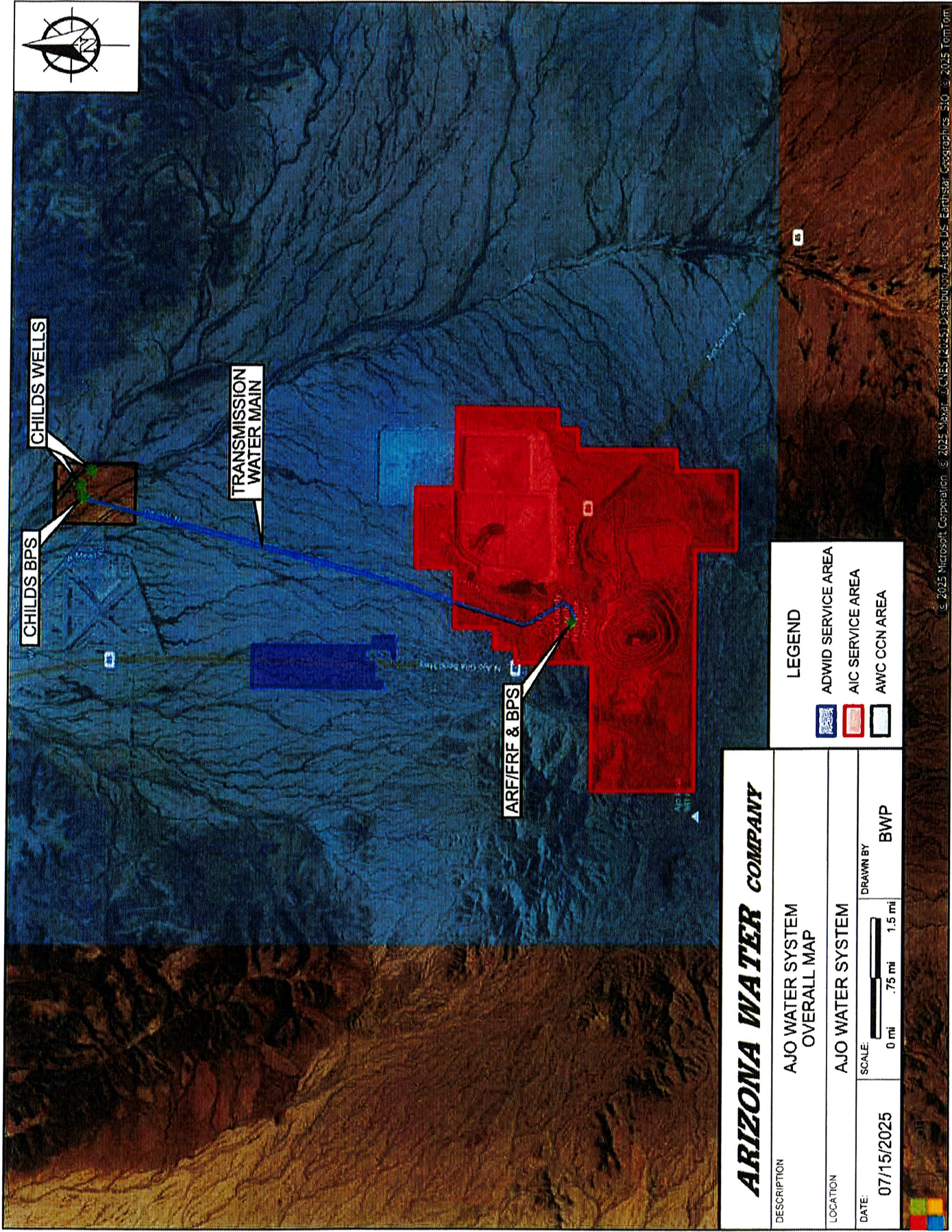
**Exhibit A**     **Map Showing The Water Service Area**

**Exhibit B**     **Arizona Water Company's Terms and Conditions Tariff No. TC-243**

**Exhibit C**     **Description of the Monthly Fee**

# **EXHIBIT A**

EXHIBIT A



**ARIZONA WATER COMPANY**

DESCRIPTION: AJO WATER SYSTEM OVERALL MAP

LOCATION: AJO WATER SYSTEM

DATE: 07/15/2025

SCALE: 0 mi, .75 mi, 1.5 mi

DRAWN BY: BWP

**LEGEND**

- ADWID SERVICE AREA
- AIC SERVICE AREA
- AWC CCN AREA

## **EXHIBIT B**

EXHIBIT B



**ARIZONA WATER COMPANY**

**TERMS AND CONDITIONS  
FOR THE PROVISION OF WATER SERVICE**

A.C.C. No. 590

Filed by: William M. Garfield

Cancelling A.C.C. No. 439

Title: President

Tariff or Schedule No. TC-243

Date of Original Filing: Apr. 12, 1973

Filed: November 20, 2018

System(s): **ALL SERVICE AREAS**

Effective: April 26, 2019

The following terms and conditions for the provision of water service (the "Terms and Conditions") which are based on the Arizona Administrative Code, Title 14, Public Service Corporations, Chapter 2, Fixed Utilities, Article 4, Water Utilities, apply to all customers who obtain water service from Arizona Water Company.

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\*AAC – Arizona Administrative Code



**I. DEFINITIONS**

IN THESE TERMS AND CONDITIONS, UNLESS THE CONTEXT OTHERWISE REQUIRES, THE FOLLOWING DEFINITIONS SHALL APPLY:

1. "Advance for construction". Funds provided to the Company by the applicant under the terms of a main extension agreement, the value of which may be refundable.
2. "Applicant". A person requesting the Company to supply water service.
3. "Application". A request to the Company for water service, as distinguished from an inquiry as to the availability or charges for such service.
4. "Arizona Corporation Commission" or "Commission". The regulatory authority of the State of Arizona having jurisdiction over public service corporations operating in Arizona.
5. "Billing month". The period between any two regular readings of the Company's meters at approximately thirty- (30) day intervals.
6. "Billing period". The time interval between two consecutive meter readings that are taken for billing purposes.
7. "Commodity charge ". The unit of cost per billed usage, as set forth in the Company's tariffs.
8. "Company". Arizona Water Company.
9. "Contribution in aid of construction". Funds provided to the Company by the applicant under the terms of a main extension agreement and/or tariff, the value of which is not refundable.
10. "Customer". The person or entity in whose name water service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of water bills regularly issued in his or her name, regardless of the identity of the actual user of the service.
11. "Customer charge". The amount the customers must pay the Company for the availability of water service, excluding water used, as specified in the Company's tariffs.
12. "Day". Calendar day.
13. "Distribution main". A water main of the Company from which service lines may be extended to customers.
14. "Interruptible water service". Water service that is subject to interruption or curtailment.
15. "Main extension". The water mains and ancillary equipment necessary to extend the existing water distribution system to provide water service to additional customers.
16. "Master meter". A meter for measuring or recording the flow of water at a single location where said water is transported through an underground piping system to tenants or occupants for their individual consumption.
17. "Meter". The instrument for measuring and indicating or recording the volume of water that has passed through it.
18. "Meter tampering". A situation where a meter has been illegally altered. Common examples are meter bypassing and broken meter seals.
19. "Minimum charge". The monthly amount the customer must pay for the availability of water service, including an amount of usage, as specified in the Company's tariffs.



20. "Minimum delivery pressure". Twenty (20) pounds per square inch gauge (psig) at the meter or point of delivery.
21. "Permanent customer". A customer who applies for and receives permanent water service from the Company.
22. "Permanent service". Water service which in the, opinion of the Company, is of a permanent and established character. The use of water may be continuous, intermittent, or seasonal in nature.
23. "Person". Any individual, partnership, joint venture, corporation, governmental agency or other organization operating as a single entity.
24. "Point of delivery". The point where facilities owned, leased or under license by a customer connect to the Company's pipes or at the outlet side of the meter.
25. "Premises". All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
26. "Residential subdivision development". Any tract of land which has been divided into four or more contiguous lots for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
27. "Residential use". Use of water for domestic purposes such as personal consumption, water heating, cooking, and other residential uses, and includes use in apartment buildings, mobile home parks, and other multi-unit residential buildings.
28. "Service area". The territory in which the Company has been granted a Certificate of Convenience and Necessity or is otherwise authorized by the Commission to provide water service.
29. "Service call out charge". The charge, as specified in the Company's tariffs, which covers the cost of responding to a customer's request for water or other Company service during a period other than regular working hours.
30. "Service establishment charge". The charge, as specified in the Company's tariffs, which covers the cost of establishing a new account.
31. "Service line". A water line that transports water from a common source of supply (normally a distribution main) to the customer's point of delivery.
32. "Service reconnection charge". The charge, as specified in the Company's tariffs, which must be paid by the customer prior to the restoration of water service each time water service is terminated for nonpayment, or whenever water service is terminated for failure to otherwise comply with the Company's tariffs.
33. "Service re-establishment charge". The charge, as specified in the Company's tariffs, for water service at the same location to the same customer or any member of such customer's household where water service had been ordered discontinued or had been discontinued for failure to pay a delinquent bill within the preceding twelve (12) months.
34. "Single family dwelling". A house, an apartment, or a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a permanent home.
35. "Tariffs". The documents filed with the Commission which list the services and products offered by the Company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.
36. "Temporary service". Water service to premises or enterprises which, in the opinion of the Company, is temporary in character, or where it is known in advance that the water service will be



**TERMS AND CONDITIONS FOR THE PROVISION OF WATER SERVICE**

of limited duration. Water service which, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.

**II. ESTABLISHMENT OF WATER SERVICE**

**A. INFORMATION FROM NEW APPLICANTS**

1. The Company may obtain the following minimum information from each new applicant for water service:
  - a. Name or names of applicant(s).
  - b. Proof of identification (social security number, driver's license number, or similar identifying information).
  - c. Tax assessor parcel number of premises to be served.
  - d. Service address or location and telephone number.
  - e. Billing address and telephone number, if different than service address.
  - f. Address where water service was provided previously.
  - g. Date applicant will be ready for water service.
  - h. Indication of whether premises have been supplied with water service previously.
  - i. Purpose for which water service is to be used.
  - j. Indication of whether applicant is owner or tenant of or agent for the premises.
2. The Company may require a new applicant for water service to appear at the Company's local office to produce proof of identity and sign the Company's application form.
3. Where water service is requested by two or more individuals, the Company has the right to collect the full amount owed to the Company from any one of the applicants.

**B. DEPOSITS**

1. The Company may require a deposit from any new applicant for water service.
2. The Company will issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt will in no way impair his or her right to receive a refund of the deposit which is reflected on the Company's records.
3. Interest on deposits will be calculated annually at an interest rate filed by the Company and approved by the Commission in a tariff proceeding. In the absence of such, the interest rate shall be six (6) percent.
4. Interest will be credited to the customer's bill annually.
5. Residential deposits will be refunded within thirty (30) days after:
  - a. Twelve (12) consecutive months of water service without being delinquent in the payment of water bills provided the Company may re-establish the deposit if the customer becomes delinquent in the payment of water bills two or more times within a twelve (12) consecutive month period.
  - b. The discontinuance of water service when the customer has paid all outstanding amounts due the Company.
6. A separate deposit may be required for each meter installed.
7. The amount of a deposit required by the Company will be determined according to the following terms:
  - a. Residential customer deposits will not exceed two times the average residential class water bill as evidenced by the Company's, most recent annual report filed with the Commission.



- b. Nonresidential customer deposits will not exceed two and one-half times that customer's estimated maximum monthly water bill.
  - c. The Company may review the customer's usage after water service has been connected and adjust the deposit amount based upon the customer's actual usage.
8. Upon discontinuance of water service, the deposit may be applied by the Company toward settlement of the customer's water bill.

**C. GROUNDS FOR REFUSAL OF WATER SERVICE**

The Company may refuse to establish water service if any of the following conditions exist:

1. The applicant has an outstanding amount due for the same class of water service with the Company and the applicant is unwilling to make arrangements with the Company for payment.
2. A condition exists which in the Company's judgment is unsafe or hazardous to the applicant, the general population, or the Company's personnel or facilities.
3. Refusal by the applicant to provide the Company with a deposit.
4. The applicant is known to be in violation of the Company's tariffs filed with the Commission or the Commission's rules and regulations.
5. Failure of the applicant to furnish such funds, service, equipment, and/or rights-of-way necessary to serve the applicant and which have been specified by the Company as a condition for providing water service.
6. The applicant falsifies his or her identity for the purpose of obtaining water service.

**D. SERVICE ESTABLISHMENT, RE-ESTABLISHMENT AND RECONNECTION CHARGES**

1. The Company will make a non-refundable charge, as approved by the Commission, for the establishment, re-establishment, or reconnection of water service. Billing for the service establishment charge will be rendered as a part of the customer's first water service bill.
2. Should water service be established during a period other than regular working hours at the applicant's request, the applicant will be required to pay a service call out charge for the water service establishment. Where the Company's scheduling will not permit water service establishment during regular working hours on the same day requested, the applicant can elect to pay the service call out charge for water service establishment after regular working hours that day.
3. For the purpose of this section, water service establishment is where a customer's facilities are ready and acceptable to the Company and the Company needs only to install a meter, read a meter, or turn the service on.
4. If water service is to be re-established within a twelve (12) month period at the same service location for a customer, or for any member of such customer's household, payment of a nonrefundable service re-establishment charge is required. In addition, if service was terminated by the Company for failure to pay a delinquent balance, then payment of the delinquent balance plus a service reconnection for delinquency charge will also be required. Payment of the applicable charges will be required as a pre-condition to the re-establishment of service and is to be made at the time of application for re-establishment of service.

**E. TEMPORARY SERVICE**

1. The applicant for temporary service must deposit with the Company, in advance of water service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired water service.



2. Where the duration of water service is to be less than one (1) month, the applicant will also be required to advance a sum of money equal to the estimated bill for water service.
3. Where the duration of water service is to exceed one (1) month, the applicant will also be required to meet the deposit requirements of the Company.
4. If at any time during the term of the agreement for water service the character of a temporary customer's operations changes so that, in the opinion of the Company, the customer is classified as permanent, the terms of the Company's main extension rule shall apply.

**F. SERVICE RENDERED UNDER SPECIAL AGREEMENT**

Water service will normally be rendered in accord with these Terms and Conditions, and other tariffs and at such rate or rates as may from time to time be authorized by the Commission. However, in the case of the customer whose requirements are of unusual nature or characteristics, special rates and/or contract arrangements may be required.

**G. OPTIONAL RATE SCHEDULE**

Certain optional rate schedules applicable to certain classes of service may allow a customer the option to select other applicable rate schedules to be effective initially, or after service under such a schedule has been established, from and after the next meter reading, upon written notice to the Company. However, no further change may be made within the next succeeding twelve (12) months. Rate schedules specifying a specific contract period, or contract periods specified within agreements, are not subject to change prior to termination of the contract period.

**III. MINIMUM CUSTOMER INFORMATION REQUIREMENTS**

**A. INFORMATION FOR RESIDENTIAL CUSTOMERS**

1. The Company will make available, upon customer request, not later than sixty (60) days from the date of request, a concise summary of the rate schedule applied for by such customer. The summary will include the following:
  - a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable.
  - b. Rate blocks, where applicable.
  - c. Any adjustment factor(s) and method of calculation.
2. The Company will, to the extent practical, identify the tariff most advantageous to the customer and notify the customer of such prior to water service establishment.
3. In addition, the Company will make available, upon customer request, not later than sixty (60) days from the date of request, a copy of these Terms and Conditions, other tariffs, and the Commission's rules and regulations governing:
  - a. Deposits.
  - b. Terminations of water service.
  - c. Billing and collection.
  - d. Complaint handling.
4. The Company, upon written request of a customer, will transmit a concise statement of actual consumption by such customer for each billing period during the prior twelve (12) months unless such data is not reasonably ascertainable.
5. The Company will inform all new customers of their right to obtain the above-specified information.



**B. INFORMATION REQUIRED DUE TO CHANGES IN TARIFFS**

1. The Company will transmit to affected customers by the most economic means available a concise summary of any change in the Company's tariffs affecting those customers.
2. This information will be transmitted to the affected customers within sixty (60) days of the effective date of the change.

**IV. SERVICE LINES AND ESTABLISHMENT**

**A. PRIORITY AND TIMING OF WATER SERVICE ESTABLISHMENT**

1. After an applicant has complied with the Company's application and deposit requirements and has been accepted for water service by the Company, the Company will schedule that customer for water service establishment.
2. Water service establishment will be scheduled for completion within five (5) working days of the date the customer has been accepted for water service, except in those instances when the customer requests water service establishment beyond the five (5) working day limitation.
3. When the Company has made arrangements to meet with a customer for water service establishment purposes and the Company or the customer cannot make the appointment during the prearranged time, the Company will reschedule the water service establishment to the satisfaction of both parties.
4. The Company will schedule water service establishment appointments within a maximum range of four (4) hours during normal working hours, unless another time frame is mutually acceptable to the Company and the customer.
5. Water service establishment shall be made only by qualified Company service personnel.
6. For the purposes of this section, water service establishment is where a customer's facilities are ready and acceptable to the Company and the Company need only to install a meter, read a meter, or turn the service on.

**B. SERVICE LINES**

1. An applicant for water service shall be responsible for the cost of installing all customers piping up to the meter.
2. An applicant for water service shall pay to the Company, as a refundable advance for construction, the service line and meter installation charges approved by the Commission. Except where the advances for construction for meters and service lines have been included in advances for construction for main extensions, and thus are refundable pursuant to main extension contracts approved by the Commission, each advance for construction for a service line and meter will be repaid by the Company by an annual credit of one-tenth (1/10) of the amount received (including applicable state and federal income taxes), said credit to be applied upon the water bill rendered in November of each year, until fully paid, for each water service and meter for which the advance was made, said credit to commence the month of November for all such advances received during the preceding calendar year.
3. Where water service is being provided for the first time, the customer shall provide and maintain a private cutoff valve within eighteen (18) inches of the meter on the customer's side of the meter, and the Company will provide a like valve on the Company's side of such meter.
4. The Company at its option may install its meter at the property line, on the customer's property or in another location mutually agreed upon.



5. Where the meter or service line location on the customer's premises is changed, either at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his or her expense all piping necessary for relocating the meter and the Company will make a non-refundable charge for moving the meter and/or service line.
6. The customer's piping must be installed in such a manner as to prevent cross-connection or backflow into the Company's water system in compliance with the Company's Tariff No. CC-258, "Cross-Connection Control," as approved by the Commission.

**C. EASEMENTS AND RIGHTS-OF-WAY**

1. Each customer shall grant or secure necessary easement(s) and/or right(s)-of-way satisfactory to the Company, to enable the Company to provide proper water service to the customer. Failure on the part of the customer to grant or secure satisfactory easement(s) and/or right(s)-of-way shall be grounds for the Company to refuse water service. The Company may, but will not be required to, extend or install its facilities in easement(s) or right(s)-of-way where final grades have not been established, or where the street has not been brought to grade as established by public authority or where, in the opinion of the Company, the extension or installation would not allow for the development of an orderly water distribution system.
2. When the Company discovers that a customer or the customer's agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is, in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the Company's access to its facilities, the Company shall notify the customer or the customer's agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation, at the customer's expense.

**D. ABNORMAL EQUIPMENT CHARACTERISTICS**

Certain types of equipment on a customer's premises may have abnormal characteristics which can cause severe fluctuations in volume or pressure or interfere with water service by the Company to its customers. In such cases, the Company may decline to serve or terminate service to such premises until the customer, at his or her expense, has provided suitable apparatus to hold to reasonable limits the effect of such fluctuations on volume or pressure. Circumstances may require that such equipment be supplied separately from another water service, and in such event, the Company may meter and bill such service separately from other water service supplied to the customer's premises.

**V. MAIN EXTENSION AGREEMENTS**

**A. CONDITIONS GOVERNING MAIN EXTENSIONS**

1. An applicant for the extension of mains may be required to pay to the Company, as a refundable advance for construction, before construction is commenced, the estimated reasonable cost of all mains, service lines, valves, fittings and meters.
2. In the event that additional facilities are required to provide pressure, storage, or water supply, exclusively for the new water service or services requested, and the cost of the additional facilities is disproportionate to anticipated revenues to be derived from future customers using these facilities, the estimated reasonable cost of such additional facilities may be included in refundable advances for construction.
3. The cost of fire hydrants, fire services and fire mains, and the cost of oversizing mains, service lines or reservoirs for fire service purposes shall be paid by the applicant as a contribution in aid of construction before construction is commenced. Except as provided for in paragraph 6, below, such cost shall not be subject to refund.
4. Upon request by a potential applicant for a main extension, the Company will prepare, without charge, a preliminary sketch and rough estimate of the cost of installation to be paid by said applicant. Any applicant for a main extension requesting the Company to prepare detailed plans,



specifications, or cost estimates will be required to deposit with the Company an amount equal to the estimated cost of preparation. The Company will, upon request, make available within forty-five (45) days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed main extension. Where the applicant accepts Company construction of the extension, the deposit will be credited to the cost of construction; otherwise the deposit will be non-refundable. If the extension is to include oversizing of facilities to be done at the Company's expense, appropriate details will be set forth in the plans, specifications and cost estimates.

5. Where the Company requires an applicant to advance funds for a main extension, the Company will furnish the applicant a copy of Section V of these Terms and Conditions and the Commission's rules and regulations governing main extension agreements prior to the applicant's acceptance of the Company's extension agreement.
6. The Company will determine and inform the applicant of the actual cost of construction within sixty (60) days after the completion of construction or the Company's receipt of all invoices and charges related to the construction. If the Company's actual cost of construction is less than the total amount paid, the Company will refund the difference (including applicable state and federal income taxes) to the applicant; conversely, if the Company's actual cost of construction is more than the total amount paid, the applicant shall pay the difference (including applicable state and federal income taxes) to the Company within sixty (60) days of receipt of an invoice from the Company. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the applicant will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.
7. The provisions of this section apply only to those applicants who, in the Company's judgment, will be permanent customers of the Company. Applications for temporary service shall be governed by these Terms and Conditions and other Company tariffs concerning temporary service.

**B. REFUNDS**

Refunds of advances for construction made pursuant to this section will be made in accord with the following method:

1. The Company will each year pay to the party making an advance for construction under a main extension agreement, or that party's assignees or other successors in interest where the Company has received written notice and evidence of such assignment or succession, an amount equal to ten (10) percent of the total gross annual revenue from water sales plus applicable state and federal income taxes to each bona fide customer whose service line is connected to distribution mains covered by the main extension agreement, for a period of ten (10) years.
2. Refunds will be made by the Company on or before the 31st day of August of each year, covering any refunds owing from water revenues received during the preceding July 1st to June 30th period.
3. A balance remaining at the end of the ten- (10) year period set out shall become non-refundable, in which case the balance not refunded will be entered as a contribution in aid of construction in the accounts of the Company.
4. The aggregate refunds under this section shall in no event exceed the total of the advances for construction plus applicable state and federal income taxes.
5. No interest will be paid by the Company on any amounts advanced for construction.
6. The Company will make no refunds from any revenue received from any other service lines connected to distribution mains leading up to or taking off from the particular main extension covered by the agreement.
7. Amounts advanced for construction of main extensions will be refunded in accord with the Company's tariffs in force and effect on the date the agreement therefor was executed.



**C. ALL AGREEMENTS ARE TO BE IN WRITING**

All main extension agreements entered into under this section will be evidenced by a written statement, and signed by the Company and by the parties advancing or contributing the funds under this section, or by the duly authorized agents of each.

**D. SYSTEM TO BE AS SPECIFIED BY THE COMPANY**

1. The size, design, type and quality of materials of the system installed under this section, the location in the ground, and the manner of installation will be specified by the Company, and will be in accord with the requirements of the Commission and/or other public agencies having authority therein. The Company may install main extensions of any diameter meeting the requirements of the Commission and/or other public agencies having authority over the construction and operation of the water system and mains, except individual main extensions shall be a minimum of six (6) inches standard diameter with a working pressure rating of one hundred fifty (150) psig.
2. Single residential customer advances for construction shall not exceed the reasonable cost of construction of a six- (6) inch diameter main extension. For customer advances for other than a single residential customer, the main sizes will conform to the following specifications:
  - a. For mains installed along section lines or their equivalent, a minimum diameter of twelve (12) inches will be required.
  - b. For mains installed along mid-section lines or their equivalent, a minimum diameter of eight (8) inches will be required.
  - c. For all other locations, a minimum diameter of six (6) inches will be required.

**E. COMPANY OWNS ALL FACILITIES**

All pipelines, valves, fittings, wells, tanks, meters, service lines or other facilities installed under this section shall be the sole property of the Company, and parties making advances for and/or contributions in aid of construction under this section shall have no right, title or interest in any such facilities.

**F. MAIN EXTENSIONS WILL BE SCHEDULED PROMPTLY**

The Company will schedule all new requests for main extension agreements, and for water service under main extension agreements, promptly and in the order received.

**G. APPLICANT MAY REQUEST SPECIFIC CONTRACTOR(S) BE ALLOWED TO BID**

An applicant for water service seeking to enter into a main extension agreement may request that the Company include on a list of contractors from whom bids will be solicited, the name(s) of any qualified and bonded contractor(s), provided that all bids shall be submitted by the bid date stipulated by the Company. If a lower bid is thus obtained or if a bid is obtained at an equal price with a more appropriate time of performance, and if such bid contemplates conformity with the Company's requirements and specifications, the Company will meet the terms and conditions of the bid proffered, or enter into a construction contract with the contractor proffering such bid. A performance bond in the total amount of the contract may be required by the Company from the contractor prior to construction.

**H. FILING OF AGREEMENTS**

All agreements under this section will be filed with and approved by the Utilities Division of the Commission along with a Certificate of Approval to Construct, as issued by the Arizona Department of Environmental Quality or its delegated agent.

1. For main extension agreements with individual residential customers, the approval of the Arizona Department of Environmental Quality or its delegated agent will be obtained by the Company and submitted to the Commission.



2. For main extension agreements with other than individual residential customers, approval of the Arizona Department of Environmental Quality or its delegated agent must be obtained by the applicant and submitted by the applicant to the Company which, in turn, will submit such approval to the Commission with the agreement.

**VI. PROVISION OF WATER SERVICE**

**A. COMPANY RESPONSIBILITY**

The Company will be responsible for providing the type of water service requested to the customer's point of delivery.

**B. CUSTOMER RESPONSIBILITY**

1. Each customer shall be responsible for installing and maintaining all facilities on the customer's side of the point of delivery in a safe and efficient manner and in accord with the rules of the Arizona Department of Environmental Quality.
2. Each customer shall be responsible for safeguarding all Company property installed in or on the customer's premises for the purpose of supplying water to that customer.
3. Each customer shall exercise reasonable care to prevent loss or damage to the Company's property, excluding ordinary wear and tear. The customer shall be responsible for loss of, or damage to, Company property on the customer's premises arising from neglect, carelessness, or misuse and shall reimburse the Company for the cost of necessary repairs or replacements.
4. Each customer shall be responsible for payment for any damage to Company facilities resulting from that customer's unauthorized breaking of meter seals, or interfering with, tampering with or bypassing the Company meter serving that customer.
5. Water furnished to a customer by the Company shall be used only on the customer's premises and shall not be resold, or diverted to any other premises. During critical water conditions, as determined by the Commission, the customer shall use water only for those purposes specified by the Commission. During emergency water conditions, as determined by the Company (with notice to the Commission as soon as possible), the customer shall use water only for those purposes specified by the Company. Disregard for this section shall be sufficient cause for refusal or termination of water service.

**C. CONTINUITY OF WATER SERVICE**

The Company will make reasonable efforts to supply a satisfactory and continuous level of water service. However, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuance of water service resulting from:

1. Any cause against which the Company could not have reasonably foreseen or made provision for, i.e., force majeure.
2. Intentional water service interruptions to make repairs or perform routine maintenance.
3. Curtailment.

**D. WATER SERVICE INTERRUPTIONS**

1. The Company will make reasonable efforts to re-establish water service within the shortest possible time when water service interruptions occur.
2. In the event of a national emergency or local disaster resulting in disruption of normal water service, the Company may, in the public interest, interrupt water service to other customers to



provide necessary water service to civil defense or other emergency service agencies on a temporary basis until normal water service to these agencies can be restored.

3. When the Company plans to interrupt water service for more than four (4) hours to perform necessary repairs or maintenance, the Company will attempt to inform affected customers, at least twenty-four (24) hours in advance, of the scheduled date and estimated duration of the water service interruption. Such repairs will be completed in the shortest possible time to minimize any inconvenience to the customers.

**E. MINIMUM DELIVERY PRESSURE**

The Company will maintain a minimum standard delivery pressure of twenty (20) psig at the customer's meter or point of delivery.

**F. CONSTRUCTION STANDARDS**

The Company will construct all facilities in accord with the guidelines established by the Arizona Department of Environmental Quality or its designated agent.

**G. SERVICE COMPLAINTS**

The Company will:

1. Make a full and prompt investigation of all service complaints made to, either the Company or the Commission by a customer.
2. Respond to the complainant and/or the Commission representative within five (5) working days as to the status of the Company's investigation of the complaint.
3. Notify the complainant and/or the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the Company will report the findings of its investigation in writing.
4. Inform the customer of his or her right of appeal to the Commission.

**VII. METER READING**

**A. FREQUENCY**

Each meter will be read monthly on as close to the same date as practical.

**B. MEASURING OF WATER SERVICE**

1. All water delivered by the Company will be billed on the basis of metered volume sales except that the Company may, at its option, provide a fixed charge schedule for the following:
  - a. Temporary service where the water use can be readily estimated.
  - b. Public fire hydrant service and private fire service.
  - c. Water used for street sprinkling and sewer flushing, when provided for by contract between the Company and the municipality or other local governmental authority.
  - d. Other fixed charge schedules as submitted to and approved by the Commission.
2. Where there is more than one meter at a location, each meter will be tagged or plainly marked as to indicate the facilities being metered.

**C. CUSTOMER REQUESTED REREADS**

1. The Company will, at the request of a customer, reread the customer's meter within ten (10) working days after such request by the customer.



2. Any rereads will be charged to the customer at a rate on file and approved by the Commission, provided that the original reading was not in error.
3. When a reading is found to be in error, the reread will be at no charge to the customer.

**D. ACCESS TO CUSTOMER PREMISES**

The Company shall have the right of safe ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the Company's facilities and property used in furnishing water service and the exercise of any and all rights secured to it by law, the Company's tariffs, or the Commission's rules and regulations.

**E. CUSTOMER REQUESTED METER TESTS**

The Company will test a meter upon customer request and the Company will charge the customer for such meter test according to the Company's tariff on file and approved by the Commission. However, if the meter is found to be in error by more than three (3) percent, no meter testing fee will be charged to the customer.

**VIII. BILLING AND COLLECTION**

**A. FREQUENCY OF WATER BILLS, METER READING SCHEDULES, ESTIMATED WATER BILLS**

1. The Company will bill monthly for services rendered. Meter readings will be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days, except in the case of an emergency or rerouting of the billing district.
2. If the Company is unable to read the meter on the scheduled meter read date, the Company will estimate the consumption for the billing period, giving consideration to the following factors where applicable:
  - a. The customer's usage during the same month of the previous year.
  - b. The amount of usage during the preceding month.
3. After the second consecutive month of estimating the customer's water bill for reasons other than severe weather, the Company will attempt to secure an accurate reading of the meter.
4. Estimated water bills will be issued only under the following conditions:
  - a. Severe weather conditions which prevent the Company from reading the meter.
  - b. Circumstances that make it dangerous or impossible to read the meter, i.e., locked gates, blocked meters, vicious or dangerous animals, etc.
5. Each water bill based on estimated usage will indicate that it is an estimated bill.

**B. COMBINING METERS**

Each metered service at a customer's premises will be considered separately for billing purposes, and the readings of two (2) or more metered services will not be combined.

**C. BILLING TERMS**

1. All bills for water service are due and payable when rendered. Any payment not received within fifteen (15) days from the date the water bill was rendered shall be considered delinquent.
2. For the purposes of this section, the date a water bill is rendered is the date the bill is mailed as evidenced by the postmark date.



3. All delinquent water bills are subject to the provisions of the Company's termination procedures, as set forth in Section IX of these Terms and Conditions.
4. All payments shall be mailed to the address shown on the remittance envelope or made at an office of the Company.

**D. APPLICABLE TARIFFS, PREPAYMENT, FAILURE TO RECEIVE, COMMENCEMENT DATE, TAXES**

1. Each customer will be billed under the applicable tariff indicated in the customer's application for service.
2. The Company will accept advance payment for water service.
3. Failure to receive water bills or notices which have been properly placed in the United States mail shall not prevent such water bills from becoming delinquent nor relieve the customer of his or her obligations therein.
4. Charges for water service commence when the water service is installed and service is made available, whether used or not.
5. In addition to the collection of regular rates and charges, the Company will collect from customers a proportionate share of any applicable privilege, sales or use tax.

**E. METER ERROR CORRECTIONS**

1. If any meter after testing is found to be more than three (3) percent in error, either fast or slow, proper correction between three (3) percent and the amount of the error will be made of previous readings, and adjusted water bills will be rendered according to the following terms:
  - a. For the period of three (3) months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three (3) months since the meter shall have been shown to be in error by such test, or
  - b. From the date the error occurred, if the date of the cause can be definitely fixed.
2. No adjustment will be made by the Company except to the customer last served by the meter tested.

**F. INSUFFICIENT FUNDS CHECKS**

1. The Company is allowed to recover a fee, at a rate on file and approved by the Commission, for each instance where a customer tenders payment for water service with an insufficient funds ("NSF") check.
2. When the Company is notified by the customer's bank that there are insufficient funds to cover the check tendered for water service, the Company will require the customer to make payment in cash, by money order, certified check, or other means which guarantee the customer's payment to the Company.
3. A customer who tenders an NSF check shall in no way be relieved of the obligation to render payment to the Company under the original terms of the water bill nor defer the Company's provision for termination of water service for nonpayment of water bills.

**G. DEFERRED PAYMENT PLAN**

1. The Company will, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid water bills for water service.



## ARIZONA WATER COMPANY

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2. Each deferred payment agreement entered into by the Company and the customer due to the customer's inability to pay an outstanding water bill in full will provide that water service will not be terminated if the customer agrees to pay:
  - a. A reasonable amount of the outstanding water bill at the time of entering into the deferred payment agreement.
  - b. All future bills for water service in accord with the billing and collection tariffs of the Company.
  - c. A reasonable portion of the remaining outstanding balance in installments over a period not to exceed six (6) months
3. For the purpose of determining a reasonable installment payment schedule under this section, the Company and the customer will give consideration to the following conditions:
  - a. The size of the delinquent account.
  - b. The customer's ability to pay.
  - c. The customer's payment history.
  - d. The length of time that the debt has been outstanding.
  - e. The circumstances which resulted in the debt being outstanding.
  - f. Any other relevant factors related to the circumstances of the customer.
4. A customer who desires to enter into a deferred payment agreement must establish such agreement prior to the Company's scheduled termination date for nonpayment of that customer's water bill(s); customer failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the Company from terminating water service for nonpayment.
5. Deferred payment agreements must be in writing and must be signed by the customer and an authorized Company representative.
6. A deferred payment agreement will include a finance charge as approved by the Commission in a tariff proceeding.
7. If a customer has not fulfilled the terms of a deferred payment agreement, the Company shall have the right to terminate water service pursuant to Section IX of these Terms and Conditions, and, under such circumstances, the Company shall not be required to offer subsequent negotiation of a deferred payment agreement prior to termination of water service.

#### H. CUSTOMER'S REQUEST FOR DISCONTINUANCE OF WATER SERVICE

1. A customer may have service discontinued by giving not less than three (3) days advance notice thereof to the Company. Charges for service may be required to be paid until the requested date of discontinuance or such later date as will provide not less than the required three (3) days advanced notice.
2. The outgoing party shall be responsible for all water service provided up to the scheduled turn-off date.

### IX. TERMINATION OF WATER SERVICE

#### A. NONPERMISSIBLE REASONS TO TERMINATE WATER SERVICE

The Company will not terminate water service for any of the reasons stated below:

1. Delinquency in payment for water service rendered to a prior customer at the premises where water service is being provided, except in the instance where the prior customer continues to reside on the premises.
2. Failure of the customer to pay for services or equipment which are not regulated by the Commission.



3. Nonpayment by the customer of a bill related to another class of water service.
4. Failure of the Customer to pay a water bill correcting a previous underbilling due to an inaccurate meter or meter failure, if the customer agrees to pay over a reasonable period of time.

**B. TERMINATION OF WATER SERVICE WITHOUT NOTICE**

1. Water service may be terminated without advance written notice under the following conditions:
  - a. The existence of an obvious hazard to the safety or health of the customer or the general population.
  - b. The Company has evidence of meter tampering or fraud.
  - c. Unauthorized resale or use of water service.
  - d. Failure of a customer to comply with the curtailment procedures imposed by the Company during supply shortages.
2. The Company will not restore water service until the conditions which resulted in the termination of water service have been corrected to the satisfaction of the Company.

**C. TERMINATION OF WATER SERVICE WITH NOTICE**

The Company may terminate water service to any customer for any reason stated below, provided the Company has met the notice requirements set forth in Section D, below:

1. Customer violation of any of the Company's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
2. Failure of the customer to pay a delinquent bill for water service.
3. Failure of the customer to meet or maintain the Company's credit and deposit requirements.
4. Failure of the customer to provide the Company reasonable access to its facilities and property.
5. Customer breach of a written contract for water service between the Company and the customer.
6. When necessary for the Company to comply with an order of any governmental agency having jurisdiction over the Company concerning water service termination.

**D. TERMINATION NOTICE REQUIREMENTS**

1. The Company will not terminate water service to any of its customers without providing advance written notice to the customer of the Company's intent to terminate water service, except under those conditions specified where advance written notice is not required.
2. Such advance written notice will contain, at a minimum, the following information:
  - a. The name of the person whose water service is to be terminated and the address where water service is being rendered.
  - b. The provision of the Company's tariffs or the Commission's rules and regulations that was violated and explanation thereof, or the amount of the water bill which the customer has failed to pay in accord with the payment policy of the Company.
  - c. The date on or after which water service may be terminated.
  - d. A statement advising the customer to contact the Company at a specific address or phone number for information regarding any deferred payment or other procedures which the Company may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.
  - e. A statement advising the customer that the Company's stated reason for the termination of services may be disputed by contacting the Company at a specific address or phone



number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the Company in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the Company shall retain the option to terminate water service.

**E. TIMING OF TERMINATIONS WITH NOTICE**

1. The Company will give at least ten (10) days' advance written notice prior to the termination date.
2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment thereof, or, in the case of a violation of the Company's tariffs or the Commission's rules and regulations, the customer has not satisfied the Company that such violation has ceased, the Company may then terminate water service on or after the date specified in the notice without giving further notice.
4. Water service will only be terminated in conjunction with a personal visit to the premises by an authorized representative of the Company.
5. The Company has the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of water service.

**F. LANDLORD/TENANT RULE**

In situations where water service is rendered at an address different from the mailing address of the water bill, or where the Company knows that a landlord/tenant relationship exists and that the landlord is the customer of the Company, and where the landlord as a customer would otherwise be subject to termination of water service, the Company may not terminate water service until the following actions have been taken:

1. Where it is feasible to so provide water service, the Company, after providing notice as required in this section, shall offer the occupant the opportunity to subscribe for water service in his or her own name. If the occupant then declines to so subscribe, the Company may terminate water service pursuant to this section.
2. The Company shall not attempt to recover from a tenant or condition water service to a tenant with the payment of any outstanding water bills or other charges due upon the outstanding account of the landlord.

**G. RESTORATION OF TERMINATED WATER SERVICE**

Water service terminated for nonpayment of water bills will be restored only after all bills are paid in full, a deposit or re-deposit is made, if required, and a water service reconnection charge has been paid.

**X. PRIVATE FIRE SERVICE AND PUBLIC FIRE HYDRANT SERVICE**

**A. SERVICE RENDERED UNDER TARIFFS**

Private fire service and public fire hydrant service will be furnished under the terms of the Company's applicable tariff schedules (Tariff Nos. PF-242 and FH-241, respectively) and in accord with the provisions of these Terms and Conditions for the Provisions of Water Service.

**B. WATER PRESSURE**

The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company does not guarantee a specific water pressure or gallons per minute flow rate at any public fire hydrant or private fire service. In the event service



is interrupted or irregular or defective or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

**XI. LIMITATION OF COMPANY'S RESPONSIBILITY AND LIABILITY**

**A. COMPANY RESPONSIBILITY**

The Company does not assume the responsibility of inspecting or maintaining any customer's piping or apparatus and will not be responsible therefor; however, the Company reserves the right to refuse water service unless the customer's piping or apparatus is installed in such manner as to prevent cross connections or backflow into the Company's system in compliance with the Company's Tariff No. CC-258, "Cross-Connection Control," as approved by the Commission.

**B. INDEMNIFICATION FROM CLAIMS AND/OR INJURIES**

The customer shall indemnify the Company and hold it harmless from and against all claims, loss, expense or liability except that caused solely by the Company's gross negligence or willful misconduct.

**XII. MODIFICATION OF TERMS AND CONDITIONS**

These Terms and Conditions can be modified only upon the written approval of the Arizona Corporation Commission, acting in response to an application for modification filed by the Company, or upon the Commission's own motion. Except as noted above, no employee or agent of the Company is authorized to modify any of the aforementioned Terms and Conditions.

**XIII. CONFLICTS**

In the case of conflict between the Commission's rules and regulations and these Terms and Conditions, the provisions of these Terms and Conditions shall apply.

**XIV. COLLECTION OF APPLICABLE FEDERAL AND STATE INCOME TAXES**

**A. GROSS UP FOR APPLICABLE INCOME TAXES**

The Tax Cuts and Jobs Act of 2017 requires the Company to pay income tax on all money and other property the Company receives after December 22, 2017 to design and construct water infrastructure facilities to provide, or encourage the provision of, water service to or for the benefit of any Applicant. Therefore, in addition to paying all costs to design and construct such water infrastructure facilities, all Applicants will pay to the Company an amount of money equal to 55% of the federal and state income taxes applicable to such costs ("Gross Up"), pursuant to the following formula.

$$\text{Income Tax Gross Up Factor \%} = \frac{1}{(1 - \text{composite income tax rate \%})} - 1 = \text{Income Tax Gross Up Factor \%}$$

$$\text{Income Tax \% Payable by Developers} = \text{Income Tax Gross Up Factor \%} * \text{Developer Share on Income Taxes (55\%)} = \text{Income Tax \% Payable by Developers}$$

For example, the cost to design and construct the water infrastructure facilities is \$100,000. The federal income tax rate of 21% and the Arizona income tax rate of 4.9% yields a combined effective federal and state income tax rate of 24.87% (21%+4.9% - [21% \* 4.9%]). The Applicant will pay the Company 55% of the Gross Up, calculated using the income tax gross up factor, as follows:

$$\text{Income Tax Gross Up Factor} = \frac{1}{(1 - 24.87\%)} - 1 = 33.10\%$$

$$\text{Gross Up} = \$100,000 \times (33.10\% * 55\%) = \$18,205$$



## **ARIZONA WATER COMPANY**

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In this example, Applicant pays the Company the income tax Gross Up amount of \$18,205. The total payment by Applicant to the Company is \$118,205 (\$100,000 + \$18,205).

#### **B. REFUNDS**

1. Any amount received by the Company for payment of the applicable federal and state income taxes pursuant to Section XIV.A will be subject to refund in the event the Internal Revenue Service determines, in a manner binding upon the Company, that money and property received by the Company pursuant to Section XIV.A is not taxable income to the Company; and provided further that the Company will be obligated to refund only such refunds, together with any applicable interest received thereon, which the Company receives from the Internal Revenue Service or State of Arizona related to the Company's payment of the applicable federal and state income taxes.

2. Any refund the Company makes to Applicant toward an advance for construction, will also include a corresponding refund of the applicable federal and state income taxes, which Applicant paid to Company.

## **EXHIBIT C**

EXHIBIT C

5 Acre Water/ADWID (AWC O & M COSTS)

Date: 3/25/2026

Costing Worksheet

				Cost/month
<b>UW III Employee</b>				
Disconnects	1 Trip/month for 3-5 disconnects (one employee)	6 Hours	\$	294.76
Reconnects	2 trips/month to reconnect (one employee)	9 hours	\$	442.14
Turn on's/off's	2-3 trips/month (one employee)	9 hours	\$	442.14
Repairs Service	1/month - (two employees) 1 vehicle	9 hours	\$	940.88
Repairs Main	2-3/year - (two employees) 1 vehicle	Average.25/month	\$	73.69
Misc. W/O Chk for leak High Cons.				
Water Quality concern	Estimate of 4 to 6/month (one employee)	13.5 hours	\$	663.21
Courtesy on-off's				
Theft of service				
Check for low pressure No water				
Water sampling and lab testing	1/month	6 hours	\$	479.76
	<b>UW III Total</b>		\$	<b>3,336.57</b>
<b>FST I Employee</b>				
Meter Reading and Misc.	1/month - one employee	9 Hours	\$	424.24
<b>Small Parts And Tool Budget</b>				\$ 350.00
<b>Monthly Cost For Billing</b>				\$ 599.75
<b>MANAGEMENT COST</b>				
Division Manager				\$717.89
Operations Superintendent				\$1,168.85
	<b>Management Total</b>			<b>1,886.74</b>
<b>OVERALL COST/MONTH FOR O &amp; M</b>				<b>\$ 6,597.31</b>