

**EMERGENCY INTERCONNECT AGREEMENT
BETWEEN
APACHE JUNCTION WATER UTILITIES COMMUNITY FACILITIES DISTRICT AND
ARIZONA WATER COMPANY**

This Agreement ("Agreement") is made and entered into this 20th day of November, 2025, by and between the Apache Junction Water Utilities Community Facilities District, an Arizona municipal corporation, doing business as Apache Junction Water District ("AJWD"), and Arizona Water Company ("AWC"), an Arizona corporation. AJWD and AWC are sometimes referred to individually as a "Party" or collectively as the "Parties."

RECITALS

- A. AWC desires to have emergency potable water delivered from AJWD at the intersection of East Baseline Avenue and the CAP canal.
- B. AJWD is willing to deliver potable water in exchange for payment of charges for such availability.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises and covenants and agreements set forth herein, the Parties agree as follows:

1. **Definitions.**

As used in this Agreement, the following terms, when capitalized, shall have the following meanings:

- 1.1 "ADWR" means the Arizona Department of Water Resources.
- 1.2 "AWC Emergency" means any condition that, in the opinion of AWC, will significantly reduce the AWC system's water production or distribution capacity.
- 1.3 "AWC Point of Delivery" means the physical location water is received by AWC from AJWD at the intersection of East Baseline Avenue and the CAP canal.

1.4 "CAP" means the Central Arizona Project.

2. Term.

This Agreement shall be effective for a term beginning as of the date the Agreement is signed by the last Party ("Effective Date") and continuing for a period of three (3) years ("Initial Term"). This Agreement shall automatically renew for two (2) additional one (1) year periods ("Extension Terms") unless one of the Parties provides written notice of termination to the other at least six (6) months before the end of the then current Term. If such notice is properly delivered, the Agreement will terminate at the end of such term.

3. Water Quantity and Accounting.

3.1 AJWD agrees to make water available to AWC during an AWC Emergency at the Delivery Point in amounts not to exceed two (2) million gallons per day ("MGD") or 6 acre-feet per day, but no more than 372 acre-feet in a year. AJWD shall not be obligated to make available more than 372 acre-feet of water in a year.

3.2 AWC shall install a metering device approved by AJWD that meets American Water Works Association ("AWWA") Standards at the AWC Point of Delivery. The metering device shall be owned, operated, and maintained by AJWD, and AJWD shall calibrate the device annually and provide AWC the opportunity to witness the calibration.

3.3 AJWD shall measure and report the quantity of water AWC takes at the AWC Point of Delivery monthly.

4. Delivery of Water.

4.1 AWC is responsible for notifying the AJWD authorized representative of an AWC Emergency and provide at least one (1) business day notification of its need to take water from the AWC Point of Delivery.

4.2 The notification from AWC of its need to take water must include the day and time it intends to take water from the AWC Point of Delivery and the quantity of water it expects to take per day.

4.3 AWC assumes all responsibility for the water it takes from the AWC Point of Delivery.

- 4.4 Prior to delivery, the water will comply with applicable federal and state drinking water standards as applied to AJWD's water system.
- 4.5 AWC understands and agrees that the water AJWD physically makes available at the AWC Point of Delivery may be blended water that consists of CAP water and groundwater, but the water shall be accounted for as either CAP water or groundwater by the Parties.
- 4.6 To comply with its requirements under Title 45, Arizona Revised Statutes, AJWD will report to ADWR the quantity of water delivered to the AWC Point of Delivery as part of its annual report to ADWR. The quantity of water reported to ADWR shall include five percent (5%) estimated losses. AJWD shall have no obligation to file any other reports regarding AWC.

5. Priority of Service.

- 5.1 AJWD shall not be required to make available water under this Agreement when providing such water would impact or disrupt the operation of AJWD's water system or AJWD's provision of water utility service to its customers.
- 5.2 The AJWD authorized representative will notify AWC annually of reductions in available AJWD water, or as soon as practical of emergency conditions.

6 Contract Price.

- 6.1 The Contract Price for water taken by AWC at the AWC Delivery Point shall consist of the following charges:
 - 6.1.1 A Monthly Base Service Charge of five hundred dollars (\$500.00) per month; and
 - 6.1.2 A Water Consumption Rate of two thousand five hundred dollars (\$2,500.00) per million gallons (or two dollar and fifty cents per thousand gallons (\$2.50/KGal)) of water taken at the AWC Point of Delivery.

- 6.2 The Contract Price shall be adjusted on the anniversary of the Effective Date for each year of the Initial Term and any Extension Terms based on the increase, if any, of the consumer Price Index – All Urban Consumers, as published in the then current year by the United States Bureau of Labor Statistics.

7 Billing and Payment.

- 7.1 By the 20th day of each month, AJWD will provide an invoice to AWC for the quantity of water taken at the AWC Point of Delivery for the previous calendar month.
- 7.2 AWC shall pay the invoice no later than thirty (30) calendar days after the date of the invoice. If AWC does not pay the invoice timely, the charges will be considered past due and subject to late payment interests of 1.5%. If AWC fails to pay the invoice within sixty (60) calendar days after the date of the invoice, AJWD may cease water deliveries under this Agreement until all past due charges are paid.
- 7.3 If AJWD does not deliver water to AWC under this Agreement for a period of thirty (30) consecutive days, AWC shall not be required to pay the Monthly Base Service Charge until the first full month in which AJWD delivers water.

8 Indemnity.

To the fullest extent permitted by law, AWC shall defend, indemnify, and hold harmless AJWD, its board members and appointed officers, officials, agents, and employees from and against any and all liability including but not limited to demands, claims, actions, fees, costs and expenses, including reasonable attorney and expert witness fees, arising from, or alleged to have arisen from, relating to, arising out of, or alleged to have resulted from the acts, errors, mistakes, omissions, work or services of AWC, its agents, employees, or any tier of AWC's subcontractors in the performance of this Agreement. AWC's duty to defend, hold harmless, and indemnify AJWD, its board members and appointed officers, officials, agents, and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property including loss of use resulting therefrom, caused by AWC's acts, errors, mistakes, omissions, work or services in the performance of this Agreement, including any employee of AWC,

any tier of AWC's subcontractor, or any other person for whose acts, errors, mistakes, omissions, work or services AWC may be legally liable. The amount and type of insurance coverage requirements set forth in this Agreement will in no way be construed as limiting the scope of the indemnity in this Section 8. The rights and obligations under this Section 8 shall survive termination of this Agreement.

9 Insurance.

AWC, at its own expense, shall purchase and maintain the minimum insurance required by this Agreement with companies duly licensed, possessing a current A.M. Best, Inc. Rating of B++6, or approved unlicensed in the State of Arizona with policies and forms satisfactory to AJWD.

All insurance required by this Agreement shall be maintained in full force and effect during the Initial Term and any Extension Terms. Failure to do so may, at the sole discretion of AJWD, constitute a material breach of this Agreement.

AWC's insurance shall be primary insurance as respects to AJWD, and any insurance or self-insurance maintained by AJWD shall not contribute to it.

Any failure to comply with the claim reporting provisions of the insurance policies or any breach of an insurance policy warranty shall not affect coverage afforded under the insurance policies to protect AJWD.

The insurance policies, except Workers' Compensation, shall contain a waiver of transfer rights of recovery (subrogation) against AJWD, its board members, agents, officers, officials and employees for any claims arising out of AWC's acts, errors, mistakes, omissions, work or service.

The insurance policies may provide coverage which contains deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to AJWD under such policies. AWC shall be solely responsible for the deductible and/or self retention and AJWD, at its option, may require AWC to secure payment of such deductibles or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit.

The insurance policies required by this Agreement, except Workers' Compensation, shall name AJWD, its board members, agents, officers, officials and employees as Additional Insureds.

AWC shall expressly bind any subcontractors, or any other lower tier subcontractors, used in the performance of any aspect of the work or services under this Agreement, to the insurance requirements in this Agreement, making such obligations applicable to the other contractor to the same extent as it is applicable to AWC. The purpose of this provision is to require any lower tier contractor, regardless of level, to provide insurance and indemnity required by this Agreement.

9.1 Commercial General Liability

AWC shall maintain throughout the Initial Term and any Extension Terms, Commercial General Liability insurance with a limit of not less than \$1,000,000 for each occurrence with a \$2,000,000 Products/Completed Operations Aggregate and a \$2,000,000 General Aggregate limit. The policy shall include coverage for bodily injury, broad form property damage, personal injury, products and completed operations and blanket contractual coverage including, but not limited to, the liability assumed under the indemnification provisions of this Agreement, which coverage will be at least as broad as that on Insurance Service Office, Inc. Policy Form No. CG 00011093, or the equivalent thereof.

Such policy shall contain a severability of interest provision and shall not contain a sunset provision or commutation clause, nor any provision which would serve to limit third party action over claims.

The Commercial General Liability additional insured endorsement shall be at least as broad as the Insurance Service Office, Inc.'s Additional Insured, Form B, CG 20101185, or the equivalent thereof, and shall include coverage for AWC's operations and products and completed operations.

If AWC sublets any part of the Services, AWC shall purchase and maintain, at all times during the Initial Term and any Extension Terms, an Owner and Contractor's Protective Liability insurance policy for bodily injury and property damage, including death, which may arise in the prosecution of the work or services under this Agreement. Coverage shall be on an occurrence basis with a limit not less than \$1,000,000 per occurrence, and

the policy shall be issued by the same insurance company that issues Contractor's Commercial General Liability insurance.

9.2 Automobile Liability

AWC shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 each occurrence with respect to AWC's owned, hired, and non-owned vehicles assigned to or used in performance of the work or services under this Agreement. Coverage will be at least as broad as coverage code 1, "any auto," (Insurance Service Office, Inc. Policy Form CA 00011293, or the equivalent thereof). Such insurance shall include coverage for loading and off-loading hazards. If hazardous substances, materials, or waste are to be transported, MCS 90 endorsement shall be included and \$5,000,000 per accident limits for bodily injury and property damage shall apply.

9.3 Workers' Compensation

AWC shall carry Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction over AWC's employees engaged in the performance of the work or services under this Agreement; and, Employer's Liability insurance of not less than \$100,000 for each accident, \$100,000 disease for each employee, and \$500,000 disease policy limit.

By execution of this Agreement, AWC certifies as follows:

"I am aware and understand the provisions of A.R.S. § 23-901 *et seq.*, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of this chapter, and I will comply with such provisions before commencing the performance of the work of this Agreement."

If AWC has no employees for whom Workers' Compensation insurance is required by federal or state statutes, AWC shall submit a declaration or affidavit to AJWD so stating and covenanting to obtain such insurance if and when AWC employs any employees subject to coverage.

9.4 Certificates of Insurance

Prior to the Effective Date, AWC shall furnish AJWD with Certificates of Insurance, or formal endorsements as required by the Agreement, issued by AWC's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Agreement are in full force and effect. AJWD shall not be obligated, however, to review same or to advise AWC of any deficiencies in such policies and endorsements, and such receipt shall not relieve AWC from, or be deemed a waiver of, AJWD's right to insist on strict fulfillment of AWC's obligations under this Agreement.

The form of the certificates of insurance and endorsements shall be subject to the approval of the AJWD Attorney's Office and shall comply with the terms of this Agreement. Policies or certificates and completed forms of AJWD's Additional Insured Endorsement (or a substantially equivalent insurance company form acceptable to the AJWD Attorney) evidencing the coverage required by this Agreement shall be delivered to AJWD Attorney, Apache Junction Water Utilities Community Facilities, 300 East Superstition Boulevard, Apache Junction, AZ 85119. The policy or policies shall be in the usual form of a public liability insurance, but shall also include the following provision:

"Solely as respects work done by or on behalf of the named insured for the Apache Junction Water Utilities Community Facilities District, it is agreed that the Apache Junction Water Utilities Community Facilities District and its board members, agents, officials, officers and employees are added as additional insureds under this policy."

In the event any insurance policies required by this Agreement are written on a "claims made" basis, coverage shall extend for two (2) years past completion and acceptance of AWC's work or services and as evidenced by annual Certificates of Insurance.

AWC shall provide require its insurers to provide AJWD thirty (30) calendar days prior written notice of any nonrenewal, cancellation, or material change in the coverage under such policy reducing coverage to below contractually-required amounts. If a policy does expire during the Initial

Term or any Additional Term, a renewal certificate must be sent to AJWD thirty (30) calendar days prior to the expiration date.

10 Authorized Representative and Notices.

10.1 Within thirty (30) calendar days after the Effective Date, AJWD and AWC shall each appoint an authorized representative who will have the authority to administer the provisions of this Agreement. Each Party shall notify the other Party of any change in the identity of its authorized representative.

10.2 Any notice, demand, or request provided for in this Agreement shall be in writing and shall be delivered by first class United States Mail, postage prepaid, to the following addresses:

AWC:

**Attention: Fred Schneider, President
Arizona Water Company
3805 North Black Canyon Highway
Phoenix, AZ 85015**

AJWD:

**Attention: Bryant Powell, District Manager
Apache Junction Water District
300 East Superstition Blvd.
Apache Junction, AZ 85119**

11 Entire Agreement.

This Agreement and any attachments represent the entire agreement between AJWD and AWC and supersede all prior negotiations, representations or agreements, either express or implied, written or oral. It is mutually understood and agreed that no alteration or variation of the terms and conditions of this Agreement shall be valid unless made in writing and signed by the Parties. Written and signed amendments shall automatically become part of this Agreement and shall supersede any inconsistent provision therein; provided, however, that any apparent inconsistency shall be resolved, if possible, by construing the provisions as mutually complementary and supplementary.

12 Severability.

AJWD and AWC each believe that the execution, delivery and performance of this Agreement are in compliance with all applicable laws. However, in the unlikely event that any provision of this Agreement is declared void or unenforceable (or is construed as requiring AJWD to do any act in violation of any applicable laws, including any constitutional provision, law, regulation, or city code), such provision shall be deemed severed from this Agreement and this Agreement shall otherwise remain in full force and effect; provided that this Agreement shall retroactively be deemed reformed to the extent reasonably possible in such a manner so that the reformed agreement (and any related agreements effective as of the same date) provide essentially the same rights and benefits (economic and otherwise) to the Parties as if such severance and reformation were not required. Unless prohibited by applicable laws, the Parties further shall perform all acts and execute, acknowledge and/or deliver all amendments, instruments and consents necessary to accomplish and to give effect to the purposes of this Agreement, as reformed.

13 Time is of the Essence.

Time is of the essence with respect to all provisions in this Agreement. Any delay in performance by either Party shall constitute a material breach of this Agreement.

14 Successors, Assignment and Delegation.

AJWD and AWC each bind themselves, their partners, successors, assigns and legal representatives to the other Party and to the partners, successors, assigns and legal representatives of such other Party in respect to all covenants, agreements and obligations contained in this Agreement. Neither Party shall assign the Agreement or sublet it as a whole or delegate the duties under this Agreement, without the written consent of the other Party.

15 Applicable Law And Venue.

The terms and conditions of this Agreement shall be governed by and interpreted in accordance with the laws of the State of Arizona. Any action at law or in equity brought by either party for the purpose of enforcing a right or rights provided for in this Agreement, shall be tried in a court of competent jurisdiction in Pinal County, State of Arizona. The parties hereby waive all provisions of law providing for a change of venue in such proceeding to any other county. In the event either Party shall bring suit to enforce any term of this Agreement or to recover any

damages for and on account of the breach of any term or condition in this Agreement, it is mutually agreed that the prevailing party in such action shall recover all costs including: all litigation and appeal expenses, collection expenses, reasonable attorney fees, necessary witness fees and court costs to be determined by the court in such action.

16 Force Majeure.

Neither AJWD nor AWC, as the case may be, shall be considered not to have performed its obligations under this Agreement in the event of enforced delay (an "Enforced Delay") due to causes beyond its control and without its fault or negligence or failure to comply with applicable laws, including, but not restricted to, acts of God, fires, floods, epidemics, pandemics and related executive orders, quarantine, restrictions, embargoes, labor disputes, and unusually severe weather or the delays of subcontractors due to such causes, acts of a public enemy, war, terrorism or act of terror (including but not limited to bio-terrorism or eco-terrorism), nuclear radiation, blockade, insurrection, riot, labor strike or interruption, extortion, sabotage, or similar occurrence or any exercise of the power of eminent domain of any governmental body on behalf of any public entity, or a declaration of moratorium or similar hiatus (whether permanent or temporary) by any public entity directly affecting the obligations under this Agreement. In no event will Enforced Delay include any delay resulting from unavailability for any reason of labor shortages, or the unavailability for any reason of particular contractors, subcontractors, or vendors desired by AWC in connection with the obligations under this Agreement. AWC agrees that AWC alone will bear all risks of delay which are not Enforced Delay. In the event of the occurrence of any such Enforced Delay, the time or times for performance of the obligations of the Party claiming delay shall be extended for a period of the Enforced Delay; provided, however, that the Party seeking the benefit of the provisions of this Section 16 shall, within thirty (30) calendar days after such Party knows or should know of any such Enforced Delay, first notify the other Party of the specific delay in writing and claim the right to an extension for the period of the Enforced Delay; and provided further that in no event shall a period of Enforced Delay exceed ninety (90) calendar days.

17 Compliance with Federal and State Laws.

AWC understands and acknowledges the applicability of the American with Disabilities Act, the Immigration Reform and Control Act of 1986 and the Drug Free Workplace Act of 1989 to the services performed under this Agreement.

As required by A.R.S. § 41-4401, AWC hereby warrants its compliance with all federal immigration laws and regulations that relate to its employees and A.R.S. § 23-214(A). AWC further warrants that after hiring an employee, AWC will verify the employment eligibility of the employee through the E-Verify program. If AWC uses any subcontractors in performance of services, subcontractors shall warrant their compliance with all federal immigration laws and regulations that relate to its employees and A.R.S. § 23-214(A), and subcontractors shall further warrant that after hiring an employee, such subcontractor verifies the employment eligibility of the employee through the E-Verify program. A breach of this warranty shall be deemed a material breach of the Agreement that is subject to penalties up to and including termination of this Agreement. AWC is subject to a penalty of \$100 per day for the first violation, \$500 per day for the second violation, and \$1,000 per day for the third violation. District at its option may terminate this Agreement after the third violation. AWC shall not be deemed in material breach of this Agreement if the AWC and/or subcontractors establish compliance with the employment verification provisions of Sections 274A and 274B of the federal Immigration and Nationality Act and the E-Verify requirements contained in A.R.S. § 23-214(A). AJWD retains the legal right to inspect the papers of any AWC or subcontractor employee who works under this Agreement to ensure that the AWC or subcontractor is complying with the warranty. Any inspection will be conducted after reasonable notice and at reasonable times. If state law is amended, the Parties may modify this paragraph consistent with state law.

18 Prohibition to Contract with Contractors who Engage in Boycott of the State of Israel.

The Parties acknowledge A.R.S. §§ 35-393 through 35-393.03, as amended, which forbids public entities from contracting with contractors who engage in boycotts of the State of Israel. Should AWC engage in any such boycott against the State of Israel, this Agreement shall be deemed automatically terminated by operation of law. Any such boycott is a material breach of this Agreement.

19 Certification Pursuant to A.R.S. § 35-394.

In accordance with A.R.S. § 35-394, AWC hereby certifies and agrees that AWC does not currently and shall not for the duration of this Agreement use: 1) the forced labor of ethnic Uyghurs in the People's Republic of China, 2) any services or goods produced by the forced labor of ethnic Uyghurs in the People's Republic

of China, and/or 3) any suppliers, contractors or subcontractors that use the forced labor or any services or goods produced by the forced labor of ethnic Uyghurs in the People's Republic of China. If AWC becomes aware during the Term that AWC is not in compliance with this Section 19, then AWC shall notify the AJWD within five (5) business days after becoming aware of such noncompliance. If AWC does not provide the AJWD with written certification that AWC has remedied such noncompliance within one hundred eighty (180) calendar days after notifying the AJWD of such noncompliance, this Agreement shall terminate, except that if the Agreement termination date occurs before the end of such one hundred eighty (180) day remedy period, this Agreement shall terminate in accordance with the Term.

20 Conflicts of Interest.

This Agreement is subject to, and may be terminated by AJWD in accordance with, the provisions of A.R.S. § 38-511.

[Signatures on the following page]

ARIZONA WATER COMPANY

By: 
Fred Schneider
Arizona Water Company President
DA001156

Date: 11-20-2025

APPROVED AS TO FORM:



E. Robert Spear
Vice President and General Counsel

APACHE JUNCTION WATER DISTRICT

By: 
Michael Loggins, P.E.
District Director

Date: 11/20/25

APPROVED AS TO FORM:

 11.20.25
R. Joel Stern
AJWD Attorney