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**CITY OF SAN LUIS
ATTN: CITY CLERK
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SAN LUIS, ARIZONA 85349**

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2024-27950 RESOLUTION
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Requested By: CITY CLERK SAN LUIS

Richard Colwell County Recorder, YUMA County AZ



The above area is to be reserved for recording information.

CAPTION HEADING:

RESOLUTION

Resolution No. 2326

Deems the Grant of a Gas Franchise to Southwest Gas Corporation beneficial to the City and submits it to the voters for the November 5, 2024, Election



Resolution

No. 2326

OFFICE OF THE
MAYOR
CITY OF SAN LUIS

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SAN LUIS, ARIZONA, THAT DEEMS THE GRANT OF A GAS FRANCHISE TO SOUTHWEST GAS CORPORATION BENEFICIAL TO THE CITY OF SAN LUIS, ARIZONA, AND SUBMITS IT TO THE VOTERS FOR THE NOVEMBER 5, 2024, ELECTION; REPEALING CONFLICTING PROVISIONS; AND PROVIDING FOR SEVERABILITY.

WHEREAS, under the Arizona Constitution Article 13 § 4 and Arizona Revised Statutes (A.R.S.) § 9-502(F), a franchise shall not be granted for a longer term than twenty-five (25) years, and under A.R.S. § 9-502 must be submitted to the city's voters; and

WHEREAS, on March 14, 2000, the San Luis voters approved a franchise agreement with Southwest Gas Corporation ("Southwest Gas"), and the City of San Luis ("City"), which is expiring; and

WHEREAS, Southwest Gas has submitted for the City to grant a new proposed gas franchise for itself and its permitted successors and assigns; and

WHEREAS, the franchise would allow Southwest Gas to construct, maintain, and operate its gas system and gas system facilities upon, over, along, across, and under present and future public rights-of-way; and

WHEREAS, these public rights-of-way include (but are not limited to) present and future public roads, public streets, alleys, ways, bridges, and highways of the City; and

WHEREAS, the franchise would permit Southwest Gas to supply natural and artificial gas (including gas manufactured by any method and gas containing a mixture of natural and artificial gas) to the City, its successors, inhabitants, and all individuals and entities within the City's limits; and

WHEREAS, under A.R.S. § 9-502(A), Southwest Gas has presented the franchise to the Mayor and City Council of the City of San Luis ("City Council), and the franchise has been filed among the City's records; and

WHEREAS, the City Council makes its findings and takes the actions through this Resolution to submit the franchise to the voters as required under A.R.S. § 9-502;

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of San Luis, Arizona;

Section 1: The City Council deems that the franchise with Southwest Gas is beneficial to the municipal corporation of the City of San Luis, Arizona, as provided under the terms and conditions of the franchise agreement attached as Exhibit A.

Section 2: Exhibit A, the franchise agreement, is incorporated and made a part of this Resolution by this reference.

Section 3: The City Council orders that the franchise, Exhibit A, shall be published in full in the Yuma Sun for at least thirty (30) days before the November 5, 2024, regular election.

Section 4: The City Council approves and submits the question to the qualified electors as to whether or not the franchise shall be granted for the November 5, 2024, regular election.

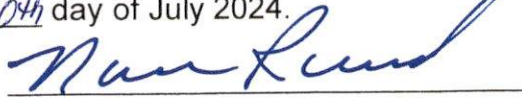
Section 5: If a conflict arises between the provisions of this Resolution and any other ordinance, resolution, order, regulation, or policy of the City of San Luis, the conflicting provisions are amended, superseded, and replaced, and this Resolution shall govern.

Section 6: If any section, subsection, paragraph, sentence clause, phrase, or portion of this Resolution is held to be invalid or unconstitutional by the final decision of any court of competent jurisdiction or controlling legislation, such decision or law shall not affect the validity of the remaining portion of this Resolution.

Section 7: The appropriate City officers and employees are authorized and directed to perform all acts necessary or desirable to give effect to this Resolution. All additional required proceedings shall be had and shall comply with Arizona law.

[Intentionally left blank. Signature page follows.]

PASSED, ADOPTED, and APPROVED by the Mayor and City Council of the City of San Luis, Yuma County, Arizona, this 10th day of July 2024.



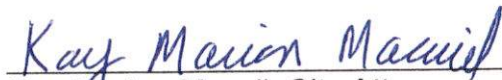
Nieves Riedel, Mayor

ATTEST:



Sonia Cornelio, City Clerk

APPROVED AS TO FORM:



Kay Marion Macuil, City Attorney

RECEIVED

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CITY CLERK'S OFFICE

Exhibit A

EXHIBIT A

FRANCHISE AGREEMENT BETWEEN SOUTHWEST GAS CORPORATION AND THE CITY OF SAN LUIS, ARIZONA

Section 1 - Grant of Franchise

The City of San Luis, Arizona ("City") hereby grants to Southwest Gas Corporation, a corporation organized and existing under and by virtue of the laws of the State of California (herein called "Grantee"), its successors and assigns, the right and privilege to construct, maintain and operate its gas system and gas system facilities, as defined herein, upon, over, along, across and under the present and future public rights-of-way within the City (the "Franchise"). These public rights-of-way include, but are not limited to, present and future roads, streets, alleys, ways, bridges, and highways within the City ("Public Rights-of-Way"). Grantee's gas system is for the purpose of supplying natural gas, renewable natural gas, hydrogen, and/or artificial gas, including gas manufactured by any method whatsoever, and/or gas containing a mixture of natural gas, renewable natural gas, hydrogen and/or artificial gas (herein all types of gas will be collectively referred to as "gas") to City, its successors, the inhabitants thereof, and all individuals and entities, either within or beyond the limits thereof, for all purposes. Grantee's gas system includes a transmission and distribution system of gas mains, pipelines and conduits, together with all necessary or desirable appurtenances including, but not limited to pipes, laterals, service lines, pumps, manholes, meters, gauges, valves, traps, fences, vaults, regulators, regulator stations, appliances, attachments and related equipment, facilities, appurtenances and/or property for the purpose of supplying gas (individually, and collectively, "Gas System Facilities"). Grantee shall have the right to install, maintain, construct, operate, use, repair or replace any or all of its Gas System Facilities from time to time as may be necessary.

Section 2 - Term

The Effective Date of this Franchise shall be January 1st, 2025. This Franchise shall continue and remain in full force and effect for a period of twenty-five (25) years from the Effective Date. Unless terminated earlier by written agreement of the parties, this Franchise will expire on January 1st, 2050.

Section 3 - Construction

3.1 Grantee shall perform all construction under this Franchise in accordance with applicable federal and state laws and regulations and established industry standards. Before Grantee makes any installations in the Public Rights-of-Way, Grantee shall apply for

and obtain from City such permit or permits as are required by City to be issued for other similar construction or work in the Public Rights-of-Way. Without limitation, Grantee will comply with ordinances of the City regarding street cuts. Such construction will be completed in a reasonable time. Before Grantee makes any installations in the Public Rights-of-Way, Grantee will submit for approval a map showing the location of such proposed installations to the City Engineer or designee. Notwithstanding anything to the contrary herein, Grantee shall have the right to undertake without delay such emergency activities necessary to provide for and maintain the reliability and safety of its Gas System Facilities. If such action is required, Grantee shall advise City of the work performed to maintain its system and apply for a permit as soon as is practicable.

3.2 Upon reasonable notice by City of the proposed paving of a Public Right-of-Way, Grantee shall review the City's proposed paving plan and, if warranted in the Grantee's judgment, extend or replace its Gas System Facilities in order to reasonably avoid the need to subsequently cut the paved Public Right-of-Way.

3.3 Construction of Grantee's Gas System Facilities relating to traffic control, backfilling, compaction, and paving, as well as the location or relocation of Grantee's Gas System Facilities pursuant to this Franchise Agreement, shall be subject to regulation by the applicable provisions of the City Code in place at the time of installation. If a provision of the City Code is inconsistent with Title 49 of the Code of Federal Regulations or any other applicable federal or Arizona state law, rule, order, or regulation, then Grantee and City agree that Title 49 of the Code of Federal Regulations or the other applicable federal, or Arizona state law, rule, order, or regulation shall govern. Pursuant to A.R.S. § 40-360.30 and any other applicable law, Grantee shall maintain installation records of the location of all its Gas System Facilities in the Public Rights-of-Way. Grantee's Gas System Facilities are defined as critical infrastructure by the federal government, and as such, City agrees that records of the location or design of natural gas facilities are proprietary to Grantee and City shall not release nor make available any records to any outside party without the express, written permission of Grantee.

3.4 Grantee shall not install, construct, maintain, or use its Gas System Facilities in a manner that damages or interferes with any existing facilities of another City-owned utility located in the Public Right-of-Way. City shall determine in its reasonable discretion whether the location of the Gas System Facilities damages or interferes with existing facilities of a City-owned utility, including interference in the maintenance of same.

3.5 Upon request, Grantee shall provide the City with, on an annual basis, its known proposed capital plan and reasonably foreseeable future corridor plans for all improvements in the City's planning area. The City shall provide Grantee with its proposed capital improvement plan, if any, on an annual basis.

3.6 If City undertakes, either directly or through a contractor, a construction project adjacent to Grantee's Gas System Facilities operated pursuant to this Franchise, City, at City's discretion, may notify Grantee of such construction project. If notified, Grantee will take steps as Grantee determines in its sole discretion to be reasonably necessary to maintain the safety of Grantee's Gas System Facilities throughout the construction project.

Section 4 - Restoration of Public Rights-of-Way

4.1 If, in the construction, maintenance or operation of its Gas System Facilities, Grantee damages or disturbs the surface or subsurface of any public road, adjoining public property, or the public improvement located thereon, therein, or thereunder, then Grantee will promptly, at its own expense, unless otherwise agreed to between City and Grantee or provided in this Franchise, restore the surface or subsurface of the public road or public property, or repair the public improvement thereon, therein, or thereunder, consistent with the Maricopa Association of Governments ("MAG") construction standards in effect at that time.

4.2 Should such restoration or repair not be completed within a reasonable time or fails to meet the MAG construction standards in effect at that time, the City may, after prior notice and reasonable time for Grantee to cure, perform the necessary restoration or repair either through City's own forces or through a City-hired contractor, and Grantee agrees to reimburse the City for its costs and expenses in so doing within thirty (30) days after its receipt of the City's invoice. Section 5 – Franchise Fee

Section 5 - Franchise Fee

5.1 In consideration of the grant of this Franchise, Grantee must pay to City a sum equal to 2% of the gross revenues of Grantee from Grantee's sale or delivery of gas for all purposes to Grantee's customers within the corporate limits of City as shown by Grantee's most current billing records ("Gross Revenues"). Such payment shall be in lieu of all fees and charges otherwise payable or assessable with respect to permits and licenses for the construction, installation, and/or maintenance (including street cuts and street repairs) of Grantee's Gas System Facilities hereunder, or for inspection thereof, Grantee's Gross Revenues are derived from Grantee's Commodity Charge and Basic Service Charge, as provided in the Grantee's Arizona Gas Tariff on file with the Arizona Corporation Commission, as may be amended from time to time. Grantee's payments are due and payable to the City thirty (30) days after the end of the calendar quarter and deemed late if not payment is not received by the City within thirty (30) days of the due date. For payments not made by the required time, Grantee must pay interest in the amount of 1.5% per month accrued and accruing on any unpaid amount due. The City may waive interest and penalties for reasonable cause or if casualty renders Grantee unable to compute or estimate the liability from business records. Grantee may deduct from the Franchise Fee any tax or license paid by it and levied by the City exclusively on utilities, up to the amount payable under this section 5.1, unless the City's ordinances authorize the utility tax to be offset by the amount of any franchise fees paid pursuant to a franchise agreement, in which event Grantee shall pay the total Franchise Fee and the utility tax shall be offset thereby. The amount payable under the Franchise Fee shall not be reduced by reason of the payment of any ad valorem taxes, assessments for special improvements, general sales or transaction privilege taxes, license taxes, or any similar general levy measured by Grantee's receipts or sales within City, provided that the amount of such sales tax or similar levy may be lawfully and specifically added to Grantee's customer's bills. If at any time during the term of this Franchise, Grantee is paying any municipality in the State of Arizona a Franchise Fee greater than two percent (2%) of Grantee's gross revenues from the sale

and/or delivery of gas by Grantee in such municipality's corporate limits, then, after written request by the City, the percentage set forth in Section 5.1 will be increased to match the greater percentage amount Grantee is paying to such other municipality under a franchise agreement; provided that if City requests Grantee to match such greater Franchise Fee, then all of the terms, conditions and limitations in the franchise agreement that has the greater Franchise Fee payment must be fully adopted by the City herein.

5.2 Grantee shall continue to pay franchise fees pursuant to the terms of the previously executed franchise agreement between Grantee and City until the Effective Date, provided that City continues to afford Grantee all rights thereunder and comply with the terms thereof. As of the Effective Date, Grantee shall pay the Franchise Fee as described in Section 5.1.

Section 6 - City Fees and Taxes

Except as otherwise provided herein, Grantee shall pay the following charges, taxes, and fees as established in a code or ordinance properly adopted by the City:

- A. General ad valorem property taxes and
- B. Transaction privilege and use tax authorized by City ordinance and billed by Grantee from users and consumers of gas within the corporate limits of the City, without reduction or offset.
- C. Notwithstanding any provision contained herein to the contrary, Grantee shall, in addition to the payment provided in Section 5.1, pay any occupation tax established by City, provided the tax is a flat fee per year and that the annual amount of such fee does not exceed the amount of similar fees paid by any other commercial, for-profit business operated within City.

Section 7 - Relocation of Facilities

7.1 The City reserves its prior right to use the Public Rights-of-Way and City property, including the surface areas, for all City governmental function projects funded with City funds. "City Funds" mean government or grant-sourced funds awarded to the City for governmental function projects for the City's benefit which funds may or may not be managed by another governmental agency. Grantee shall, upon written request by City, relocate, without expense to the City, any of Grantee's Gas System Facilities that are in direct, physical conflict with City facilities that will be installed as part of a City governmental function project funded with City Funds to such location as the City and Grantee agree.

7.1.1 A governmental function project is defined as one performed by the City that primarily benefits and promotes the public health, safety, and welfare of the general public and is not proprietary in nature. Governmental function projects include, but are not limited to, the following activities:

- A. Any and all improvement to City-owned streets, alleys and avenues, and other City property;
- B. Establishing and maintaining City-owned storm drains, sewer lines, effluent lines, water wells, wastewater treatment facilities, and any other City-owned facilities related thereto;
- C. Establishing and maintaining City parks, parking, parkways, pedestrian malls, or grass, shrubs, trees, and other vegetation for the purpose of landscaping City streets or City property;
- D. City-provided fire protection and other public safety functions;
- E. City-provided public transportation; and
- F. City-owned water utility systems.

7.1.2 If Grantee asserts any prior rights, Grantee must demonstrate to City's reasonable satisfaction how it maintains any prior rights in the subject location.

7.2 City will bear the reasonable cost of relocating any of Grantee's Gas System Facilities (a) that are not in direct, physical conflict with any City facilities that will be installed as part of a City governmental function project; or (b) the relocation of which is necessitated by the construction of improvements by or on behalf of City in furtherance of any project other than a governmental function project funded with City Funds; or (c) when Grantee's Gas System Facilities have prior rights to the City's facilities.

7.2.1 If City participates in the cost of relocating Grantee's facilities for any reason, the cost to the City will be limited to those costs and expenditures reasonably incurred for relocating such facilities. Costs to the City for relocation of Grantee's facilities will not include any upgrade or improvement of Grantee's facilities as they existed prior to relocation. Prior to payment by City, Grantee must provide an itemization of such costs and expenditures.

7.3 If Grantee is required to relocate any Gas System Facilities within one year of construction or relocation of such facilities paid for by Grantee, the costs of relocation shall be borne by City.

7.4 If City requires Grantee to relocate Grantee's Gas System Facilities that are located in a private easement, then the costs and expenditures associated with purchasing a new private easement and relocating Grantee's Gas System Facilities shall be paid by City.

7.5 If relocation of any Gas System Facilities is required or requested due to the actions or inactions of any party other than the City, the third party shall be responsible for the cost of such relocation, and Grantee shall not be required to commence such work until the third party compensates Grantee for the relocation costs in cash or in another manner acceptable to Grantee.

7.6 The City and Grantee agree that City is not a party to disputes among permittees or other interested parties using the Public Right-of-Way.

7.7 City will not exercise its right to require Grantee's facilities to be relocated in an unreasonable or arbitrary manner or to avoid its obligations under this Franchise.

7.8 All underground abandoned lines shall continue to remain the property of the Grantee unless the Grantee specifically acknowledges otherwise to the City Engineer, and such is accepted by the City. Grantee shall remove, at Grantee's sole cost, abandoned lines at the request of City when Grantee's Gas System Facilities are in direct, physical conflict with City facilities that will be installed as part of a City governmental function project that is funded with City Funds as described in Section 7.1 of this Franchise Agreement.

7.8.1 Prior to removal of any abandoned lines, Grantee must notify City of its intent to remove abandoned lines and offer possession and ownership of said lines to City. If City elects to accept the abandoned lines, City's acceptance shall be based solely upon City's own inspection, investigation, and analysis, and such transfer shall be on an "AS IS", "WHERE IS" basis, and without representation or warranty by Grantee. Upon such transfer, City shall assume, and Grantee shall be relieved of, any and all obligations or responsibilities with respect to the abandoned lines.

7.8.2 Grantee must identify the location of any known abandoned lines not accepted by City as they exist through Blue Staking.

Section 8 - Indemnification: Insurance

8.1 Grantee's indemnification, duty to defend, save and hold harmless in Section 8.2 below only applies to Claims (as defined in Section 8.2 below) that arise as a result of the work performed by Grantee under this Franchise. Further, nothing in this Agreement shall impede or otherwise limit a party's statutory rights under A.R.S. 40-423 or A.R.S. 12-820 et. seq.

8.2 Grantee agrees to indemnify, defend, save and hold harmless the City and its elected or appointed officials, agents, boards, commissions, employees and volunteers (hereinafter referred to as "Indemnatee") from and against any and all suits, claims, demands, actions, liabilities, damages, losses, or expenses of any nature or kind whatsoever, including court costs, reasonable attorneys' fees, and costs of claim processing, investigation, litigation for personal injury (including death) or property damage to the extent caused by the negligence or willful acts or omissions of Grantee or any of Grantee's directors, officers, employees or agents in the exercise of this Franchise (hereinafter collectively referred to as "Claims"). This indemnity includes any Claims arising or recovered under the Worker's Compensation Laws or arising out of the failure of Grantee to conform to any federal, state, or City law, statute, ordinance, rule, regulation, or court decree. It is agreed that Grantee will be responsible for primary loss, investigation, defense, and judgment costs where this indemnification is applicable. Grantee's worker's compensation policy shall include a waiver of subrogation against the City, its officers, agents, and employees. Nothing in this provision shall preclude Grantee from seeking contribution from any third party jointly responsible for such damages or Claims. The obligations under Section 8.2 shall survive termination of this

Franchise to the extent of the applicable statute of limitations.

8.3 Grantee shall procure and maintain for the duration of this Franchise insurance or self-insurance against claims for injuries to persons or damages to property which may arise or result from work performed by Grantee under this Franchise. These insurance requirements are minimum requirements for this Franchise and in no way limit the indemnity covenants contained in this Franchise. The City in no way warrants that the minimum limits contained herein are sufficient to protect the Grantee from liabilities that might arise out of this Franchise for the Grantee, and Grantee is free to purchase such additional insurance as may be determined necessary.

8.4 Minimum Coverage Requirements.

The Grantee shall provide coverage, in the form of insurance, self-insurance, or a combination thereof, which includes coverage for the work performed under this Franchise by Grantee including, but not limited to, products-completed operations, general liability, personal and advertising injury, and fire damage in an amount not less than Five Million Dollars (\$5,000,000.00). An excess liability or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a "following form" basis, or such excess liability or umbrella liability policy provides coverage at least as broad as the primary policy.

8.5 Policy Provisions.

The insurance policies are to contain the following provisions: (i) The City and its officials, officers, employees, and agents shall be named as an additional insured with respect to liability arising out of the use and/or occupancy of the right-of-way subject to this Franchise and activities performed by or on behalf of the Grantee under this Franchise, including completed operations of the Grantee, and automobiles owned or operated by Grantee; (ii) commercial general liability insurance shall include bodily injury, property damage, and broad form contractual liability coverage; (iii) the Grantee's insurance coverage shall be primary insurance and noncontributory with respect to all other available sources relating to work performed under this Franchise; (iv) the Grantee's insurance shall apply separately to each insured against whom claim is made, or suit is brought, except with respect to the limits of the insurer's liability.

8.6 Notice of Cancellation and Certificate of Insurance Required. Insurance is to be placed with insurers duly licensed, authorized, permitted, or approved in the State of Arizona and with a "Best's" rating of not less than B+ VI. The City in no way warrants that the above required minimum insurer rating is sufficient to protect the Grantee from potential insurer insolvency.

8.7 Grantee shall furnish the City with certificates of insurance (ACORD form or equivalent approved by the City) or a letter of self-insurance to evidence compliance with the coverage requirements under this Franchise. The certificates for each insurance policy are to be signed by a person authorized by the insurer to bind coverage on its behalf. All certificates and any required endorsements must be received and approved by the City prior to the

effective date of this Franchise. Each insurance policy required by this Franchise must be in effect at or prior to the effective date of this Franchise and remain in effect for the duration of the Franchise. Failure to maintain the insurance policies or self-insurance required by this Franchise or to provide evidence of renewal shall be a material default of this Franchise. All certificates of insurance required by this Franchise shall be sent directly to: City of San Luis, Attn: City Manager P.O. Box 1170, San Luis, AZ 85336. The City Franchise Resolution Number and description shall be provided on the certificate of insurance.

8.8 Any modification or variation from the insurance requirements in this Franchise must be approved by the City's Law Department and Finance Department, whose decision shall be final. Such action will not require a formal amendment to this Franchise but may be made by administrative action.

Section 9 - Consent to Assignment

The right, privilege, and franchise hereby granted may be assigned by Grantee, its successors, and assigns, in whole or in part, to any person certified by the Arizona Corporation Commission to assume the duties and obligations of Grantee hereunder.

Section 10 - Franchise: Non-Exclusive

This Franchise is non-exclusive, and nothing contained herein shall be construed to prevent City from granting similar rights or privileges to any other person, firm, or corporation.

Section 11 - Notices

Any notice required or permitted to be given hereunder shall be in writing, unless otherwise expressly permitted or required, and shall be deemed effective either (i) upon hand delivery to the person then holding the office shown on the attention line of the address below, or if such office is vacant or no longer exists, to a person holding a comparable office, or (ii) on the third business day following its deposit with the United States Postal Service, first class and certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

To the City of San Luis:

City Manager
P.O. Box 1170
San Luis, Arizona, 85349

With a copy to:

City Attorney at the same address.

To Southwest Gas Corporation:

Public Affairs Department
Southwest Gas Corporation
1600 E. Northern Avenue
Phoenix, Arizona 85020

With a copy to:

Legal Affairs Department
Southwest Gas Corporation
8360 South Durango Drive

Section 12 - Voter Approval

This Franchise is subject to the approval of the qualified electors of the City. If Grantee's franchise is the sole item on City's ballot for the election, then Grantee must pay one hundred percent (100%) of the election costs. If Grantee's franchise is not the sole item on City's ballot for the election, then Grantee must pay fifty percent (50%) of the election costs. Grantee must pay one hundred percent (100%) of any required publication costs.

Section 13 - Independent Provisions

If any section, paragraph, clause, phrase, or provision of this Franchise shall be adjudged invalid or unconstitutional, the same shall not affect the validity of this Franchise as a whole or any part of the provisions hereof other than the part so adjudged to be invalid or unconstitutional.

Section 14 - Default: Dispute Resolution

14.1 Failure or unreasonable delay by either party to perform any term or provision of this Agreement for a period of ten (10) days after written notice thereof from the other party shall constitute a default under this Agreement. If the default is of a nature which is not capable of being cured within ten (10) days, the cure shall be commenced within such period and diligently pursued to completion. The notice shall specify the nature of the alleged default and the manner in which the default may be satisfactorily cured. In the event of a default hereunder by any party, the non-defaulting party shall be entitled to all remedies at both law and in equity, including, without limitation, specific performance.

14.2 To further cooperation by the parties in implementing this Franchise, the City and Grantee each shall designate and appoint a representative to act as a liaison between the City and its various departments and Grantee. The initial representative for the City shall be the City Manager, and the initial representative for Grantee shall be its project manager, as identified by Grantee from time to time. The parties' representatives shall be available at all reasonable times to discuss and review the performance of the parties under this Franchise.

14.3 If a dispute between the parties arising out of this Franchise cannot be resolved by the parties, City and Grantee agree to attempt resolution through mediation before resorting to arbitration, litigation, or some other dispute resolution procedure. In the event that the parties cannot agree upon the selection of a mediator within seven (7) days, either party may request the Presiding Judge of the Yuma County Superior Court to assign a mediator from a list of mediators maintained by the Arizona Municipal Risk Retention Pool.

Section 15 - Audit Rights

15.1 City has the authority, at City's expense, to conduct an audit of the Grantee's pertinent books and records during the term of this Franchise to verify gross revenue and amounts payable under this agreement. An audit will be conducted in such a way as not to disrupt

Grantee's business operations and will be performed in accordance with Generally Acceptable Auditing Standards. The period that may be audited will not exceed thirty-six (36) months prior to the date the written notice from the City is received by the Grantee. An audit will not be required more than once in a single 12-month period.

15.2 The Grantee must pay to the City within 45 days written notice any amounts that are due to the City as determined by any audit of the Grantee, together with a late payment fee equal to five percent (5%) of the underpayment amount. If the Grantee has underpaid the City by 5% or more of amounts due (excluding penalties), Grantee will reimburse the City for reasonable and full costs of the audit.

Section 16 - Conflicting Ordinances

All ordinances or parts of ordinances in conflict with the provisions hereof are hereby repealed to the extent applicable to a franchised gas public service corporation.

Section 17 - Utility Planning and Coordination

The City and Grantee desire and will endeavor to promote coordination between Grantee and the City with respect to the City's utility system and Grantee's Gas System Facilities to avoid arbitrary or reasonably avoidable interference with utility facilities of the other part, and to minimize costs occasioned by changes, relocations or other modifications to the parties' respective utility systems which affect presently existing utility facilities of the City and Grantee. Grantee agrees to participate in a Utility Planning and Coordinating Committee if established by City. Nothing in this section 17 shall be construed to prohibit Grantee from proceeding with any activity that is otherwise in conformance with this Franchise and the orders, rules, and regulations of the Arizona Corporation Commission and other applicable legal requirements.

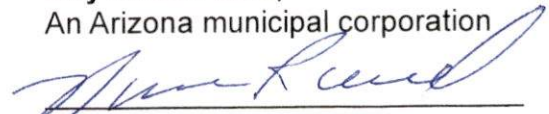
Section 18 - No Waiver or Limitation of Powers of Eminent Domain/Right to Purchase

City reserves the right and power to condemn and purchase the plant and distribution facilities of the Grantee within the corporate limits or any additions thereto, as provided by law, during the term of the Franchise and/or upon its expiration.

[Intentionally left blank. Signature page follows.]

PASSED and ADOPTED this Franchise Agreement by the City Council of the City of San Luis, Arizona this 10th day of July 2024.

City of San Luis,
An Arizona municipal corporation



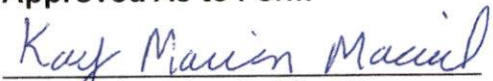
Nieves Riedel, Mayor

Attest:



Sonia Cornelio, City Clerk

Approved As to Form



Kay Marion Macuil, City Attorney

Southwest Gas Corporation,
A California Corporation

By: 

Date: 11/13/2024