

ORIGINAL



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MEMORANDUM

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TO: Docket Control  
Arizona Corporation Commission

FROM: Ernest G. Johnson  
Director  
Utilities Division

Date: March 4, 2005

RE: JOHNSON UTILITIES COMPANY - APPLICATION FOR AN EXTENSION  
OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE  
WATER AND WASTEWATER SERVICE, IN PINAL COUNTY, ARIZONA  
(DOCKET NO. WS-02987A-04-0288)

Attached is the Staff Report for the above referenced application. Staff is recommending approval.

EGJ:JEF:red

Originator: Jim Fisher

Arizona Corporation Commission

**DOCKETED**

MAR - 4 2005

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Docket No. WS-02987A-04-0288

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

JOHNSON UTILITIES COMPANY

DOCKET NO. WS-02987A-04-0288

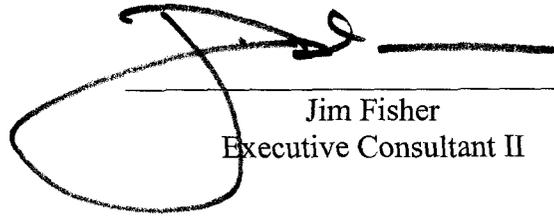
APPLICATION FOR AN EXTENSION OF  
CERTIFICATE OF CONVENIENCE  
AND NECESSITY TO PROVIDE  
WATER AND WASTEWATER SERVICE

MARCH 2005

## STAFF ACKNOWLEDGEMENT

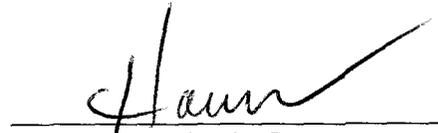
The Staff Report for Johnson Utilities Company (Docket No. WS-02987A-04-0288) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analysis of the Company's application. Lyndon R. Hammon was responsible for the engineering and technical analysis.

Contributing Staff:



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Jim Fisher  
Executive Consultant II



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Lyndon R. Hammon  
Utilities Engineer

**EXECUTIVE SUMMARY  
JOHNSON UTILITIES COMPANY  
DOCKET NO. WS 02987A-04-0288**

On April 14, 2004, Johnson Utilities Company ("Johnson Utilities" or "Company"), an Arizona public service company, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N") in Pinal County, Arizona. On January 5, 2005, Utilities Division Staff ("Staff") informed the Company that the application was sufficient for administrative purposes.

Johnson Utilities is a public service company providing water and wastewater service to a portion of the state of Arizona. The Commission provided Johnson Utilities with its original CC&N in Decision No. 60223 (May 27, 1997), and subsequently extended the CC&Ns in Decision Nos. 61069 (August 7, 1998), 62087 (November 19, 1999), 63960 (September 4, 2001) and 64062 (October 4, 2001). According to Johnson Utilities' most recent Annual Report filing with the Commission's Utilities Division, Johnson has installed approximately \$26.3 million in water and wastewater plant to serve the current and future customers in the service area.

By this application, Johnson Utilities is seeking to extend its current water and waste CC&Ns to include two separate planned area developments, Anthem at Merrill Ranch and Sonoran Villages.

Based on the information provided in this docket, and from Staff's review of other available materials regarding Johnson Utilities, Staff concludes that the proposed water and wastewater systems have, or can reasonably be expected to develop the necessary capacity to serve the proposed CC&N extension area.

Staff recommends that the Commission approve the Johnson Utilities Company application for an Extension to its CC&N to provide water service to Sonoran Villages and Anthem at Merrill Ranch subject to compliance with the following conditions:

1. That Johnson Utilities Company be required to extend water service to the requested parcels under its currently authorized rates and charges.
2. That Johnson Utilities Company be required to file with Docket Control a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval to Construct for the water systems backbone facilities within 24 months of any decision in this matter.
3. That Johnson Utilities Company be required to file with Docket Control a list of all wells in service as an approved public water supply source, with the corresponding arsenic concentration and an arsenic plan which will bring Johnson Utilities Company into compliance with the new arsenic standard of 10 parts per billion by January 1, 2006.
4. That the Commission require Johnson Utilities Company to file with Docket Control a copy of Johnson Utilities "Designation of Assured Supply" inclusive of the requested area, within 24 months of any decision in this matter.

5. That the Commission require Johnson Utilities to file a curtailment tariff for all its water systems within 60 days after the effective date of any decision and order pursuant to this application. The tariffs shall be filed within the current docket of record for this water CC&N application (Docket No. WS-02987A-04-0288).
6. That Johnson Utilities Company be required to file a quarterly report with Docket Control on the status of the pending litigation in CV2005-002692.
7. That Johnson Utilities Company be required to file Affiliate Interest reports as required under Arizona Administrative Code R-14-2-801 et al.

Staff further recommends that the Commission's Decision granting this Certificate of Convenience and Necessity to the Johnson Utilities Company be considered null and void without further order from the Commission should Johnson Utilities Company fail to comply with conditions 2, 3, 4 and 5 within the time specified.

### **Wastewater**

Staff recommends that the Commission approve the Johnson Utilities Company application for an Extension to its CC&N to provide wastewater service to Sonoran Villages and Anthem at Merrill Ranch subject to compliance with the following conditions:

1. That the Commission require Johnson Utilities to extend wastewater service to the requested parcels under its currently authorized rates and charges.
2. That the Commission require Johnson Utilities to file with Docket Control a copy of the Central Arizona Associations of Governments ("CAAG's") approval of the §208 Plan Amendment for Anthem at Merrill Ranch within 12 months of the effective date of the final decision and order in this matter.
3. That the Commission require Johnson Utilities Company to file with Docket Control a copy of the Unified (Aquifer Protection) Water Quality Permits by the Arizona Department of Environmental Quality for both the Merrill Ranch Wastewater Treatment Facility and the Copper Basin Regional Wastewater Treatment Facility within 24 months of the effective date of the final decision and order in this matter.

Staff further recommends that the Commission's Decision granting this extension of its Certificate of Convenience and Necessity to the Johnson Utilities be considered null and void without further order from the Commission should Johnson Utilities fail to comply with conditions 2 and 3 within the time specified.

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ATTACHMENTS

Map and Legal Description.....	Exhibit 1
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## **Introduction**

On April 14, 2004, Johnson Utilities Company ("Johnson Utilities" or "Company"), an Arizona public service company, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N") in Pinal County, Arizona, to include Sonoran Villages and a portion of Anthem at Merrill Ranch.

On May 13, 2004, Utilities Division Staff ("Staff") informed the Company its application was insufficient for administrative processing. On April 16, 2004, November 10, 2004, and December 21, 2004, the Company provided additional information to support the application.

On January 5, 2005, Staff informed the Company that the application was sufficient for administrative purposes.

## **Background**

Johnson Utilities is a public service company providing water and wastewater service to a portion of the state of Arizona. The Commission provided Johnson Utilities with its original CC&N in Decision No. 60223 (May 27, 1997), and subsequently extended the CC&Ns in Decision Nos. 61069 (August 7, 1998), 62087 (November 19, 1999), 63960 (September 4, 2001) and 64062 (October 4, 2001). Johnson Utilities is an Arizona Limited Liability Company.

According to Johnson Utilities' most recent Annual Report filing with the Commission's Utilities Division, Johnson has installed approximately \$26.3 million in water and wastewater plant to serve the current and future customers in the service area. Johnson Utilities reports a combined water and wastewater revenue of \$2.6 million, and reports a combined long term debt of less than \$1 million.

By this application, Johnson Utilities is seeking to extend its current CC&N to include two separate planned area developments, Anthem at Merrill Ranch and Sonoran Villages. Sonoran Villages is bounded by Johnson Utilities' current CC&N on the southern and eastern boundaries of the property. Anthem at Merrill Ranch is contiguous to Johnson Utilities' current CC&N on its western and northern border.

## **The Proposed Extension Area - Sonoran Villages**

General Hunt Properties is the owner of approximately 402 acres comprising Sonoran Villages. George Johnson, President of Johnson Utilities, is the principle shareholder of General Hunt Properties. Sonoran Villages is located northwest of Florence, in Section 19, Range 9 East, Township 3 South. The Central Arizona Project canal runs north south through the middle of the property, and the Magma railroad crosses the property from the northeast corner to southwest corner.

Sonoran Villages is a planned area development of three phases currently zoned for medium density housing. The development is designed for 1,608 residential lots. The Pinal County Comprehensive Plan designates the land as urban. An extensive trail system is designed, with approximately fifteen percent of the property set aside for open spaces.

### **The Proposed Extension Area - Anthem at Merrill Ranch**

Anthem at Merrill Ranch is a Planned Area Development ("PAD") by Pulte/Del Webb Development. Merrill Ranch is a 7,500 acre property north of Florence which is expected to be developed into 24,000 homes over the next thirty years. The entire 7,500 acres of Merrill Ranch was annexed by the city of Florence in 2003. By this application, Johnson Utilities is requesting authority to serve the initial phases of Anthem at Merrill Ranch. Subsequent phases (not part of this application) will be served by either Johnson Utilities or the Town of Florence.

On April 5, 2005, Vanguard Properties requested Johnson Utilities serve 1,510 acres of the proposed development. The initial phase of Anthem at Merrill Ranch is currently designed for 5,768 residential lots. The City of Florence and Johnson Utilities have agreed that, with Commission approval, Johnson Utilities will provide water and wastewater service to the requested area. Johnson Utilities has been requested to serve the East half of Section 18, all of Section 19 and 30 in Township 4 South of Range 9 East, approximately 1,510 acres.

Development of the requested parcel is planned in four (4) phases, with the initial phase of 362 acres approved for 1,523 residential homes. A golf course, recreation area trail system and riparian area will begin development in phase one. Phase two will cover 425 acres designed for 1,703 residential homes and one elementary school. Phase three of the development is planned for 407 acres for 1,381 homes and a riparian area. Phase four is planned to include 314 acres, 1,161 homes, a high school, park and trails.

The developer anticipates beginning land grading in earlier 2005 and housing production in early 2006.

### **Plan 208 Approval**

The Federal Water Pollution Control Act as amended by the Water Quality Act of 1987 ("Clean Water Act") is a commitment by the federal government to the elimination of pollution in the nation's waters. Each state is required, under Section 208 of the Clean Water Act, to develop and implement area-wide water quality management plans for pollution control.

In Arizona, six (6) Councils of Government, ("COGs") have been designated by the Governor as "Water Quality Management Planning Agencies" under Section 208, of the Clean Water Act. The Central Arizona Associations of Governments ("CAAG") is designated by the Governor and the Environmental Protection Agency ("EPA") as the area wide water quality management planning agency for Pinal County.

The guidelines for 208 planning set forth in the Clean Water Act are fairly broad so that the various water quality issues in different areas of the nation can be addressed appropriately. Each 208 Plan must identify the water quality management needs in its planning area and provide a program to develop solutions. The CAAG 208 planning process is an ongoing effort in response to changing water resource issues, regulations, treatment technologies and changing demographics.

On the federal level, the EPA has the responsibility of overseeing the planning efforts necessary to meet the specific requirements of Section 208. The Arizona Department of Environmental Quality ("ADEQ") administers both the basin-wide planning and water quality monitoring programs. In addition, ADEQ is responsible for reviewing and enforcing water quality standards for the State. For the CAAG 208 Program, the EPA and ADEQ provides guidance in the terms of policy, procedure and review of documents to assure adherence to the requirements of the Clean Water Act.

A major effort of the 208 Plan is the Point Source Plan. Point Source Planning is primarily directed at compiling the preferred wastewater collection and treatment system for the affected area through the year 2020. Toward that end, the Point Source Plan examines population and wastewater flow projections, wastewater treatment plant siting, treatment methods, effluent disposal, reclaimed water reuse and sludge management.

### **ADEQ Permits**

The objective of a Point Source Plan is to identify the preferred wastewater collection and treatment and effluent reuse or disposal systems for the affected area. The regulatory framework for management of water quality is comprised of permit compliance and monitoring of protected uses. The ADEQ defines, monitors and enforces water quality standards for protected uses of surface waters, aquifers and public water supplies. The ADEQ permit framework for point source management consists of three primary elements consisting of the Arizona Pollutant Discharge Elimination System ("AZPDES"), the Aquifer Protection Permit ("APP") and the reclaimed water reuse permit program.

The purpose of the AZPDES permit programs is to regulate the quality of point source discharges into the waters of the nation. Based on specific criteria, discharges to rivers, tributaries to the rivers, dry washes and various lakes and canals within the affected area are subject to the AZPDES permit program provisions.

The ADEQ has established Surface Water Quality Standards ("SWQS") as required to meet the goals of the federal Clean Water Act and to protect the quality of surface waters in the state. The EPA incorporates the SWQS and federal regulation related to surface water quality and effluent discharge quality into the AZPDES permits. Pollutant levels established by the AZPDES permit programs vary among wastewater reclamation facilities depending upon the designated use of reclaimed water. Permits are typically issued for a term of five years.

### **Aquifer Protection Permit (“APP”)**

The APP was established by the Environmental Quality Act of 1986 and implemented by rule in 1989. The purpose of the APP program is to protect the groundwater quality and public health from potential environmental risks posed by the facilities that discharge pollutants to the land surface, underlying soil, or groundwater that have a potential to reach an aquifer.

The APP permitting requirements are determined based on the type of facility or land use, capacity of the facility, and/or the type of discharges that the facility will produce. The most crucial requirements for obtaining an APP are demonstrating that the Best Available Demonstrated Control Technology (“BADCT”) will be used to minimize the discharge of pollutants, Aquifer Water Quality Standards will not be violated and that the facility possesses the financial and technical capability to comply with the permit conditions.

The Environmental Quality Act requires that all domestic wastewater and disposal facilities requiring an APP use BADCT as part of their wastewater treatment process. The ADEQ adopted BADCT requirements for new sewage treatment facilities. The design review of sewage treatment facilities has been consolidated into the APP application review process. BADCT requirements are defined within the rules which require secondary treatment, removal for new facilities and expansion of existing facilities. The revision of the APP rule took effect January 2001.

The reclaimed water use permit program, established in 1985, allows the reuse of reclaimed water for a variety of applications such as agriculture, urban lakes, golf course irrigation, ponds and industrial uses. Water reclamation plants are required by rules to have a reuse permit for the release of reclaimed water for reuse purposes.

There are two main categories of reclaimed water reuse including direct non-potable reuse and indirect reuse. Direct reuse consists of irrigation and makeup water for urban lakes. Indirect reuse typically involves aquifer recharge and recovery. The indirect reuse of reclaimed water usually involves recharge to an aquifer for storage and future recovery. The reclaimed water is typically allowed to infiltrate through the dry soils above the aquifer allowing additional treatment. Recharge projects using reclaimed water are required to obtain an APP.

### **Johnson Utilities Wastewater Facilities - Sonoran Villages**

Johnson has obtained CAAG §208 Water Quality Plan approval to construct the Copper Basin regional WWTP, which is to include the Sonoran Villages property. Johnson Utilities CAAG §208 Water Quality Plan Amendment No. 4 was approved based on projected wastewater flows, projected population densities and treatment methodologies.

The current plan is to construct a wastewater treatment plant (“WWTP”) with an initial treatment capacity of 500,000 Gallons-Per-Day (“GPD”). The approved plan calls for the Copper Basin WWTP to expand capacity to 2.5 million GPD as the area increases in population

and wastewater treatment needs. The WWTP is to be constructed approximately 2 miles east of the Sonoran Villages, on Judd Road, near the proposed Bella Vista Farms development.

As discussed above, a WWTP needs to dispose of its treated effluent consistent with its ADEQ permit. Johnson Utilities anticipates reusing the treated effluent for green belts and golf courses as permitted by ADEQ.

Based on the information provided in this docket, and from Staff's review of other available materials regarding Johnson Utilities, Staff concludes that the proposed wastewater system has or can reasonably be expected to develop the necessary sewage treatment capacity to serve the proposed CC&N extension area and is consistent with the approved "CAAG 208 Water Quality Plan" for Johnson Utilities.

### **Johnson Utilities Wastewater Facilities - Anthem at Merrill Ranch**

Johnson Utilities commissioned the consulting firm of Specific Engineering, LLC to prepare a CAAG §208 Plan Amendment for Anthem at Merrill Ranch. The plan amendment has been completed but has not received CAAG approval.

The Anthem at Merrill Ranch §208 Plan provides for the acceptance and treatment of phase I and II wastewater volumes at the Mystic Ranch wastewater treatment site. Initial process capacity will be 1.4 million gallons per day ("MGD"), expandable to 5.6 MGD in three more phases. The build out capacity of the wastewater treatment plant has been increased from 3.0 MGD to 5.6 MGD.

Effluent disposal will be accomplished by reuse on golf courses and green belts, recharge basins, and if necessary through the use of an Arizona surface water discharge permit (AZPDES). However, it is anticipated that the irrigation needs of green belts and golf course will be sufficient for the generated effluent. Aquifer protection and reuse permits from ADEQ are pending.

In addition to the necessary amendments to the wastewater treatment facility, a preliminary master report has been prepared for the design of the sewage collection mains.

Based upon the above information, Staff concludes that Johnson Utilities can reasonably be expected to develop the wastewater collection, treatment, and disposal capacity to serve the requested CC&N area of Merrill Ranch in the future.

### **Johnson Utilities Water - Sonoran Villages**

Johnson Utilities existing water systems have a combined excess capacity of nearly 4,000 connections. While this surplus may seem excessive, the present service base of 8,500 connections has been growing at a rate of 6 percent per month. To meet these potential future impacts, Johnson Utilities has a program of well development. Three new wells have been

drilled, cased, and provided with power drops. These additional wells should be on-line prior to summer 2005 and will provide an additional 2,100 gallon per minute of water production capacity.

Planning documents for the area including Sonoran Villages indicate that Johnson Utilities will eventually develop the necessary wells, storage tanks and distribution mains in a single pressure zone within the development. Timing and sizing will depend on the actual build out and demand.

As it presently stands, Sonoran Village can be served by both the Johnson Ranch water system and the Sun Valley water system through existing water mains at the northwest and southeast corners of Section 19.

Based on the above analysis, Staff concludes that the existing water system has adequate capacity for its existing customer base and can reasonably be expected to develop the necessary capacity and infrastructure in the future for Sonoran Village (Section 19).

#### **Johnson Utilities Water -Anthem at Merrill Ranch**

Johnson Utilities plans to serve phases I and II of Anthem at Merrill Ranch through the use of five existing wells and five proposed wells. The existing wells are drilled with power drops, but are not yet equipped. Johnson Utilities engineering consultant estimated demand for phases I and II at 2,222 gallons/minute (annual average).

The 10 existing and proposed wells were assigned a pumping rate of 350 gallons/min, which is conservative (other existing wells within the Johnson Utility area typically produce 500 to 800 gal/min). Therefore the 10 future wells should be readily capable of producing 3,500 gal/min, which is more than the projected annual average demand.

Southwest Groundwater Consultants, Inc. performed a detailed hydrogeologic investigation and concluded that there are sufficient groundwater resources to meet the water demand for 100 years. This report will be used in the application to the Department of Water Resources to amend Johnson's existing "Designation of Assured Supply".

Southwest Groundwater Consultants also examined and mapped water quality for the proposed CC&N area. Data and experience suggest that groundwater quality throughout the area will not exceed the new arsenic standard of 10 µg/l. In a small fraction of the area, some groundwater may exceed the nitrate standard of 10 mg/l. If that should occur, the utility should be able to meet the nitrate standard by blending.

Based upon the above information, Staff concludes that Johnson Utilities can reasonably be expected to develop the water production and delivery capacity to serve Anthem at Merrill Ranch.

### **Finance of Plant – Sonoran Villages**

The required utility facilities will be financed in accordance with Arizona Administrative Code. Arizona Administrative Code established the minimal acceptable criteria for line extension agreements between utilities and private parties. Main extension agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. Upon acceptance of the facilities by the utility, the developer will convey the facilities by way of a warranty deed. The utility will refund a portion of the annual water revenue associated with development for a period of at least ten (10) years. Refunds for wastewater facilities are discretionary.

On October 13, 2004, the Sonoran 382, LLC, the developer of Sonoran Villages entered into a master Utility Agreement to finance the on-site and off-site water wastewater facilities consistent with Johnson Utilities approved tariffs. The developer is projected to construct 1,600 lots and is required to pay advance hook-up fees equal to 532 connections, with the remaining fees in phases.

On November 3, 2004, the developer entered into facilities construction agreements to finance the on-site and off-site wastewater facilities. The agreements require the developer to construct and convey utility facilities constructed consistent with ADEQ standards. Johnson Utilities will receive payments consistent with its approved tariffs and refund five (5) percent of the annual revenue associated with development to the developer until the advanced facility is fully refunded. Wastewater facilities agreements do not require Staff review or Commission approval per the Arizona Administrative Code.

### **Finance of Plant- Merrill Ranch**

To date, Johnson Utilities and Vanguard Properties continue to define and negotiate the terms for a facilities construction agreement to finance the plant necessary to serve the proposed development. Staff anticipates that the developer will be required to construct the on-site facilities consistent with the ADEQ approved design plans and convey those facilities to Johnson Utilities via warranty deed. Staff also anticipates Johnson Utilities may refund the developer a portion of the revenue obtained from Anthem at Merrill Ranch until such time as all of the advanced utility facilities have been refunded.

### **ADEQ Compliance Wastewater**

ADEQ has informed Staff that the Johnson Utilities is in compliance with the rules for operation, reporting and discharge limits for wastewater facilities.

On January 3, 2005, ADEQ informed Johnson Utilities of a Notice of Violation (“NOV”) for the Section 11 WWTP’s effluent quality. According to ADEQ, total nitrogen and fecal coliform exceeded the permit levels. ADEQ described the NOV as an informal compliance

assurance tool. On January 19, 2005, Johnson Utilities advised ADEQ of the intervention and preventative measures instituted that demonstrated compliance with ADEQ's technical criteria.

### **ADEQ Compliance Water**

ADEQ regulates the Johnson Utilities system under ADEQ Public Water System ("PWS") I.D. Nos. 11-014, 11-128 and 11-116.

On December 15, 2004, ADEQ informed Johnson Utilities that the utility had failed to provide a calendar year 2003 consumer confidence report by July 1, 2004. By letter dated December 28, 2004, Johnson Utilities informed ADEQ that 2003 consumer confidence were included in June 30, 2004 customer billings and available on the utility's website.

Based on data received from ADEQ, ADEQ has determined that the system is currently delivering water that does not exceed any MCL and both systems meet water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

### **Arsenic**

The U.S. EPA has reduced the arsenic MCL in drinking water from 50 µg/l to 10 µg/l. The date for compliance with the new MCL is January 23rd, 2006.

Staff recommends that Johnson Utilities Company be required to file a list of all wells in service as an approved public water supply source, with the corresponding arsenic concentration and an arsenic plan which will bring Johnson Utilities Company into compliance with the new arsenic standard of 10 parts per billion by January 1, 2006.

### **Arizona Department of Water Resources ("ADWR") Compliance**

The Johnson Utilities water system is within the ADWR Pinal County Active management Area. Johnson Utilities retains an ADWR "Designation of Assured Supply."

Southwest Groundwater Consultants, Inc. performed a detailed hydrogeologic investigation and concluded that there are sufficient groundwater resources to meet the water demand for 100 years. This report will be used in the application to the Department of Water Resources to amend Johnson's existing "Designation of Assured Supply."

Johnson Utilities is in compliance with ADWR's reporting and conservation rules.

Staff recommends that the Johnson Utilities be required to file with the Commission a copy of its updated or amended "Designation of Assured Supply" to include the service areas in this CC&N application within two years of the effective date of the final decision and order in this matter.

## **ACC Compliance**

A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.

## **La Osa Ranch Litigation**

Johnson Utilities majority owner is Mr. George Johnson. In addition to ownership of a public service company, Mr. Johnson also has ownership in real estate, live stock and agriculture.

On February 14, 2005, the Arizona Attorney General's office filed a civil lawsuit against various financial affiliates of Johnson Utilities alleging trespass, breach of grazing lease, destruction of native plants on state and private land, water quality discharge violations and unlawful killing of bighorn sheep.

The litigation is primarily focused on Mr. Johnson's actions as a property owner of La Osa Ranch, a 10,000 acre property in southern Pinal County, adjacent to state trust lands and the Ironwood National Forest Monument.

According to the complaint, Mr. Johnson failed to obtain permits to clear private property, trespassed and cleared state lands of natural vegetation and destroyed archaeological sites located in the Los Robles Wash floodplain.

The State also alleges that Mr. Johnson failed to abide by the terms of the U.S. Bureau of Land Management grazing lease by allowing domestic goats in close contact with Desert Big Horn Sheep, infecting the sheep, causing 21 to die from malnutrition, falls or failure to evade predators.

The Arizona Attorney General's office filed the civil lawsuit in Maricopa County Superior Court in conjunction with the Department of Environmental Quality, the Department of Agriculture, the Land Department, the Board of Regents, and the Game and Fish Commission. The lawsuit named Mr. Johnson, his spouse, the George H. Johnson Revocable Trust, Johnson International, Inc., the Ranch at South Fork, L.L.C., General Hunt Properties, Inc., Atlas Southwest, Inc. and other individuals.

Johnson Utilities was not named in the civil lawsuit. None of the allegations include actions taken as a public service company. However, a civil lawsuit against Johnson Utilities financial affiliates by the Attorney General and five state agencies requires the Commission be provided the information necessary to protect Johnson Utilities customers from any potential adverse ruling against its financial affiliates.

Johnson Utilities has informed Staff that it intends to provide information on the financial relationship between Johnson Utilities and Johnson International at the scheduled hearing.

Johnson Utilities also proposed to Staff that, while it does not yet meet the definition of a Class A utility per revenue received, Johnson Utilities intends to meet the reporting requirements of the Affiliated Interest rules to ensure the Commission is fully informed consistent with the Arizona Administrative Code. Therefore Staff recommends that Johnson Utilities be required to file Affiliate Interest reports as required under Arizona Administrative Code R14-2-801 et al. In addition to the above, Staff also recommends that Johnson Utilities be required to file quarterly reports on the status and events in the La Osa Ranch litigation in CV2005-002692.

### **Proposed Rates**

Johnson Utilities is proposing to extend service to the property at its tariffed rates.

### **Pinal County Franchise**

The requested extension area is within Johnson Utilities current CC&N.

### **Recommendations**

Staff recommends that the Commission approve the Johnson Utilities Company application for an Extension to its CC&N to provide water service to Sonoran Villages and Anthem at Merrill Ranch subject to compliance with the following conditions:

1. That Johnson Utilities Company be required to extend water service to the requested parcels under its currently authorized rates and charges.
2. That Johnson Utilities Company be required to file a copy of the ADEQ Approval to Construct with Docket Control for the water systems backbone facilities within 12 months of any decision in this matter.
3. That Johnson Utilities Company be required to file with Docket Control a list of all wells in service as an approved public water supply source, with the corresponding arsenic concentration and an arsenic plan which will bring Johnson Utilities Company into compliance with the new arsenic standard of 10 parts per billion by January 1, 2006.
4. That the Commission require Johnson Utilities Company to file with Docket Control a copy of Johnson Utilities "Designation of Assured Supply" inclusive of the requested area, within 24 months of any decision in this matter.
5. That the Commission require Johnson Utilities to file a curtailment tariff for all its water systems within 60 days after the effective date of any decision and order pursuant to this application. The tariffs shall be filed within the current docket of record for this water CC&N application (Docket No. WS-02987A-04-0288).

6. That Johnson Utilities Company be required to file a quarterly report with Docket Control on the status of the pending litigation in CV2005-002692.
7. That Johnson Utilities Company be required to file Affiliate Interest reports as required under Arizona Administrative Code R-14-2-801 et al.

Staff further recommends that the Commission's Decision granting this Certificate of Convenience and Necessity to the Johnson Utilities Company be considered null and void without further order from the Commission should Johnson Utilities Company fail to comply with conditions 2, 3, 4 and 5 within the time specified.

### **Wastewater**

Staff recommends that the Commission approve the Johnson Utilities Company application for an Extension to its CC&N to provide wastewater service to Sonoran Villages and Anthem at Merrill Ranch subject to compliance with the following conditions:

1. That the Commission require Johnson Utilities to extend wastewater service to the requested parcels under its currently authorized rates and charges.
2. That the Commission require Johnson Utilities to file with Docket Control a copy of the CAAG's approval of the §208 Plan Amendment for Anthem at Merrill Ranch within 12 months of the effective date of the final decision and order in this matter.
3. That the Commission require Johnson Utilities Company to file with Docket Control a copy of the Unified (Aquifer Protection) Water Quality Permits by the Arizona Department of Environmental Quality for both the Merrill Ranch Wastewater Treatment Facility and the Copper Basin Regional Wastewater Treatment Facility within 24 months of the effective date of the final decision and order in this matter.

Staff further recommends that the Commission's Decision granting this extension of its Certificate of Convenience and Necessity to the Johnson Utilities be considered null and void without further order from the Commission should Johnson Utilities fail to comply with conditions 2 and 3 within the time specified.

## MEMORANDUM

DATE February 15, 2005  
TO: James E. Fisher  
FROM: L. Hammon   
RE: Water and Wastewater CC&N Extension For Johnson Utilities  
Docket Number: WS-02987A-04-0288

---

### **Introduction**

This application consists of two separate and distinct areas. The most northern area encompasses about 2/3 of section 19 within Township 3 South, Range 9 East and is known as "Sonoran Village".

The second area is about 5 miles straight south of Sonoran Village and encompasses 1/2 of section 18, all of section 19, and small portions of sections 20 and 30 within Township 4 South, Range 9 East. This second area is known as Merrill Ranch (or Anthem At Merrill Ranch).

Johnson Utilities (herein also "Company" or "Johnson") intend to provide both water and wastewater service to both developments. For the sake of clarity, the two areas will be treated separately in this report.

There are several concurrent Certificate of Convenience and Necessity (CC&N) applications by Johnson Utilities. Ms. Barbara S. Wells has prepared a special map which consolidates and shows the relative locations, areas, and docket numbers of these pending applications in addition to existing CC&N areas. This map is attached to the Staff Report.

### **Sonoran Village**

Sonoran Villages will be a Planned Area Development of about 400 acres featuring single family residential housing. Land set asides, undeveloped open spaces and trail systems will account for over 15 per cent of the total land area of Sonoran Villages.

Exhibit 1 delineates a break down of the three parcels with the planned residential units and areas.

### Wastewater

This area is included within the Copper Basin regional wastewater service area and is consistent with the "CAAG §208 Water Quality Plan Amendment No 4" for Johnson Utilities ("CAAG" is an acronym for the Central Arizona Association of Governments). The Copper Basin regional facility is a master planned wastewater treatment project which is matched to projected development and population densities. Treatment processes, phasing and capacities are delineated in the CAAG Plan No 4. The CAAG Plan essentially provides for the construction of a 0.5 MGD treatment plant which will be expandable to 2.5 MGD. Effluent will be reused with any excess being disposed of through an Arizona surface water discharge permit, although it is anticipated that the irrigation needs of green belts and golf courses will be sufficient for the generated effluent. The wastewater treatment plant will be constructed approximately 2 miles east of this development on Judd Road.

### Water

Johnson Utilities is also requesting an extension of the water CC&N for the same areas in Section 19. As it presently stands, Sonoran Village can be served by both the Johnson Ranch water system and the Sun Valley water system through existing water mains at the northwest and southeast corners of section 19. The existing water systems have a combined excess capacity of nearly 4,000 connections. While this surplus may seem excessive, the present service base of 8,500 connections has been growing at a rate of 6% per month. To meet these potential future impacts, Johnson Utilities has a program of well development. Three new wells have been drilled, cased, and provided with power drops. They should be on-line prior to summer 2005 and will bring an additional 2,100 gallon per minute of water production capacity. Planning documents for this area indicate that Johnson Utilities will eventually develop the necessary wells, storage tanks and distribution mains in a single pressure zone within the development. Timing and sizing will depend on the actual build out and demand.

### Water Quality

Staff requested the arsenic concentration for each well but has not been provided a complete list at the time of the writing of this report. The Company did provide arsenic concentrations for points of entry. All points of entry, except one, showed compliance with the new arsenic standard of 10 µg/l. However, that one problematic point of entry will necessitate some compliance efforts, such as blending or treatment. Because of the looming arsenic compliance date of January 2006, some resolution to the arsenic problem must be made relatively quickly.

Therefore, Staff recommends that within 60 days after the effective date of any decision and order pursuant to this application, Johnson Utilities shall provide:

1. a list of all wells in service with the corresponding arsenic concentration ("in service" means a well which is approved as a public water supply source and is connected to the water system, regardless of whether or not it is currently pumping), and,

2. an arsenic plan which will bring Johnson Utilities into compliance with the new arsenic standard of 10 µg/l by January 2006.

This well list and arsenic compliance plan shall be filed within the current docket of record for this water CC&N application (Docket No. WS-02987A-04-0288).

#### Summary and Conclusion

Based on the above analysis, Staff concludes that the existing water system has adequate capacity for its existing customer base and can reasonably be expected to develop the necessary capacity and infrastructure in the future for Sonoran Village (Section 19).

Staff also concludes that the proposed wastewater system has or can reasonably be expected to develop the necessary sewage treatment capacity to serve the proposed CC&N extension area for Sonoran Village (Section 19) and is consistent with the approved "CAAG §208 Water Quality Plan" for Johnson Utilities.

#### **Anthem At Merrill Ranch (or Merrill Ranch)**

Merrill Ranch is a Planned Area Development (PAD) by Pulte/Del Webb Development. This application is requesting a water and wastewater CC&N for about 1,200 acres, which will be part of phase I and II of the development. Johnson Utilities will provide water and sewer service to the initial phases. Subsequent phases (not part of this application) will be served by either Johnson Utilities or the Town of Florence. Merrill Ranch will be a mixed use development with low to medium-high density neighborhood housing, with several areas reserved for neighborhood businesses and commercial uses. An open space system with an extensive trail network will connect the lineal park system, natural desert spaces, community parks, and golf course. At build out for Phase I and II, it is anticipated that there will be approximately 6,000 dwelling units with an anticipated population of 13,200 people. A eventual complete project size of 8,200 acres and 25,000 homes is envisioned with the additional phases 4 through 10. There are no existing customers in this development.

#### Water

Johnson Utilities plans to serve phases I and II through the use of five existing wells and five proposed wells. The existing wells are drilled with power drops, but are not yet equipped. The Company's engineering consultant estimated demand for phases I and II at 2,222 gallons/minute (annual average). The 10 existing and proposed wells were assigned a pumping rate of 350 gallons/min, which is conservative (other existing wells within the Johnson Utilities area typically produce 500 to 800 gal/min). Therefore the 10 future wells should be readily capable of producing 3,500 gal/min, which is more than the projected annual average demand.

The major infrastructure components have been preliminarily sized to meet the estimated peak water demand, and also a fire flow demand of 1,000 gal/min for 2 hours (Rural Metro Standard). A node modeling methodology was performed to guarantee adequate

water main sizes. Water storage volume was sized at 48% of peak demand plus volume for fire flow.

The basin capacity of the aquifer was also evaluated. Southwest Groundwater Consultants, Inc. performed a detailed hydrogeologic investigation and concluded that there are sufficient groundwater resources to meet the water demand for 100 years. This report will be used in the application to the Department of Water Resources to amend Johnson's existing "Designation of Assured Supply".

Southwest Groundwater Consultants also examined and mapped water quality for the proposed CC&N area. Data and experience suggest that groundwater quality throughout the area will not exceed the new arsenic standard of 10 µg/l. In a small fraction of the area some groundwater may exceed the nitrate standard of 10 mg/l. If that should occur, the utility should be able to meet the nitrate standard by blending.

Based upon the above information, Staff concludes that Johnson Utilities can reasonably be expected to develop the water production and delivery capacity to serve the requested CC&N area of Merrill Ranch in the future.

#### Wastewater

Section 208 of the Federal Water Pollution Control Act (Public Law 92-500) provides for the preparation of "Certified Areawide Water Quality Management Plans" and the designation of entities to manage sewage treatment facilities and sewage collection systems in the respective planning area. The Central Arizona Association of Governments (CAAG) is the designated water quality planning agency for the requested (CC&N) area in this application.

Pursuant to the above planning requirement, the consulting firm of Specific Engineering, LLC was commissioned to prepare a CAAG §208 Plan Amendment for Merrill Ranch, The Merrill Ranch plan amendment, (which also amends and supplements Johnson Utilities, CAAG Amendment #4, Mystic Lake Ranch), has been completed but not yet approved by CAAG.

Specifically, the new plan provides for the acceptance and treatment of phase I and II wastewater volumes from the Merrill Ranch development, at the Mystic Ranch wastewater treatment site. The treatment process has been changed from Sequencing Batch Reactors to an Aero-Mod Extended Aeration plant with denitrification. The build out capacity of the wastewater treatment plant has been increased from 3.0 million gallons per day (MGD) to 5.6 MGD to include Merrill Ranch. Initial process capacity will be 1.4 MGD, expandable to 5.6 MGD in three more phases.

Effluent disposal will be accomplished by reuse on golf courses and green belts, recharge basins, and if necessary through the use of an Arizona surface water discharge permit (AZPDES). However, it is anticipated that the irrigation needs of green belts and golf

course will be sufficient for the generated effluent. Aquifer protection and reuse permits from DEQ are pending.

In addition to the necessary amendments to the wastewater facility, a preliminary master report has been prepared for the design of the sewage collection mains.

Based upon the above information, Staff concludes that Johnson Utilities can reasonably be expected to develop the wastewater collection, treatment, and disposal capacity to serve the requested CC&N area of Merrill Ranch in the future.

### **Assured Water Supply**

Johnson Utilities is within the Pinal Active Management Area of the Arizona Department of Water Resources. As such, each developer will be required to obtain a "Certificate of Assured Supply", or as an alternative, the Company may obtain a "Designation of Assured Supply" from DWR for the entire development. Presently Johnson Utilities holds a "Designation of Assured Supply" for its existing service area. It is assumed that Johnson will continue to elect this alternative. Therefore, it is recommended that Johnson Utilities shall update or amend its "Designation of Assured Supply" to include the service areas in this CC&N application. Johnson Utilities shall file such an amended DWR certificate within two years of the effective date of the final decision and order in this matter.

### **Regulatory Compliance**

#### Arizona Department of Environmental Quality

Compliance data supplied by DEQ indicates that Johnson Utilities is currently delivering water which meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

The wastewater treatment plants to serve Sonoran Village and Merrill Ranch have not yet been constructed. Since these are proposed utilities which have yet to become operational, there is no historical compliance data for the wastewater segment.

#### ACC Compliance

A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.

#### DWR Compliance

Johnson Utilities is within the Pinal Active Management Area and DWR reported that Johnson is in compliance with its monitoring and reporting requirements.

### **Special Service Tariffs**

A “**Curtailment Plan Tariff**” is an effective tool to allow a water company to manage its resources during periods of water shortages due to pump breakdowns, droughts, or other unforeseeable events. Since Johnson Utilities does not yet have a curtailment tariff, this CC&N application provides an opportune time to prepare and file such a tariff.

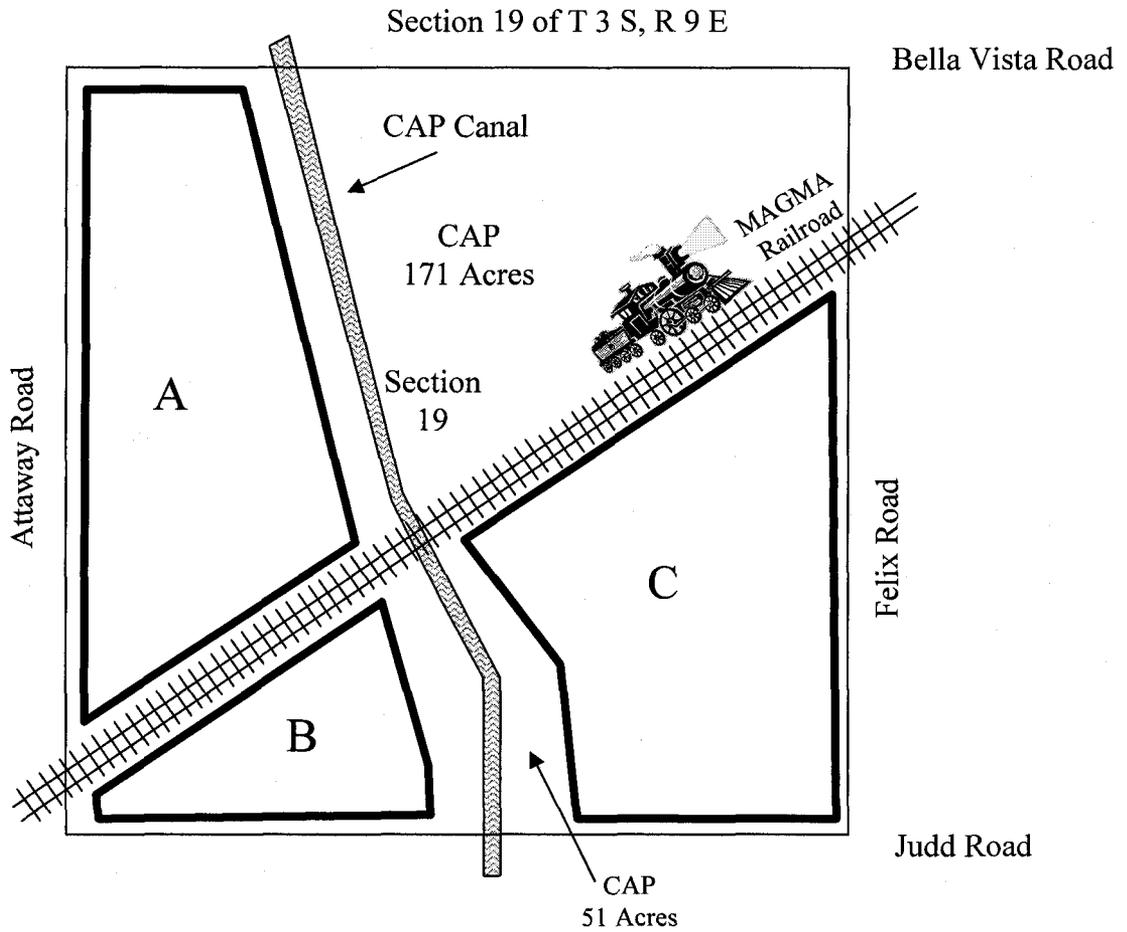
Therefore, Staff recommends that Johnson Utilities file a curtailment tariff within 60 days after the effective date of any decision and order pursuant to this application. The tariffs shall be filed within the current docket of record for this water CC&N application (Docket No. WS-02987A-04-0288). Staff also recommends that the tariffs shall generally conform to the sample tariffs found posted on the Commission’s web site ([www.cc.state.az.us/utility/water/forms.htm](http://www.cc.state.az.us/utility/water/forms.htm)) or available upon request from Commission Staff.

### **Recommendations**

1. It is recommended that Johnson Utilities shall submit a copy of the ADEQ “Approval To Construct” for the initial construction phase of the water backbone plant at Merrill Ranch within two years of the effective date of the final decision and order in this matter.
2. It is recommended that Johnson Utilities shall update or amend its “Designation of Assured Supply” to include the service areas in this CC&N application. Johnson Utilities shall file such an amended DWR certificate within two years of the effective date of the final decision and order in this matter.
3. It is recommended that Johnson Utilities file a curtailment tariff for each of its water systems, or as an alternative, a single curtailment tariff applicable to all of its water systems, within 60 days after the effective date of any decision and order pursuant to this application. The tariffs shall be filed within the current docket of record for this water CC&N application (Docket No. WS-02987A-04-0288). Staff also recommends that the tariffs shall generally conform to the sample tariffs found posted on the Commission’s web site ([www.cc.state.az.us/utility/water/forms.htm](http://www.cc.state.az.us/utility/water/forms.htm)) or available upon request from Commission Staff.
4. Since the CAAG §208 Plan represents a fundamental authority for the designation of a wastewater service area and a wastewater provider, it is recommended that the granting of the wastewater certificate of convenience and necessity shall be conditional upon CAAG’s approval of the §208 Plan Amendment for Merrill Ranch. Johnson Utilities shall file a copy of this CAAG approval within one year from the effective date of the final decision and order relevant to this CC&N application.

5. It is recommended that the granting of the wastewater certificate of convenience and necessity shall be conditional upon the issuance of Unified (Aquifer Protection) Water Quality Permits by the Arizona Department of Environmental Quality for both the Merrill Ranch Wastewater Treatment Facility, and the Copper Basin Regional Wastewater Treatment Facility. Copies of the Unified Water Quality Permits shall be filed within 24 months from the effective date of the final decision and order relevant to this application.

Johnson Utilities  
 Docket No. SW-02987A-04-0288



Parcel	Land Use	Gross Acreage	Dwelling Units
A	Med Density Residential	171	770
B	Med Density Residential	64	288
C	Med Density Residential	167	751
Total		402	1,809

**Sonoran Villages**

Exhibit 1

# CURRENT SERVICE AREA & PENDING APPLICATIONS (02/01/05)

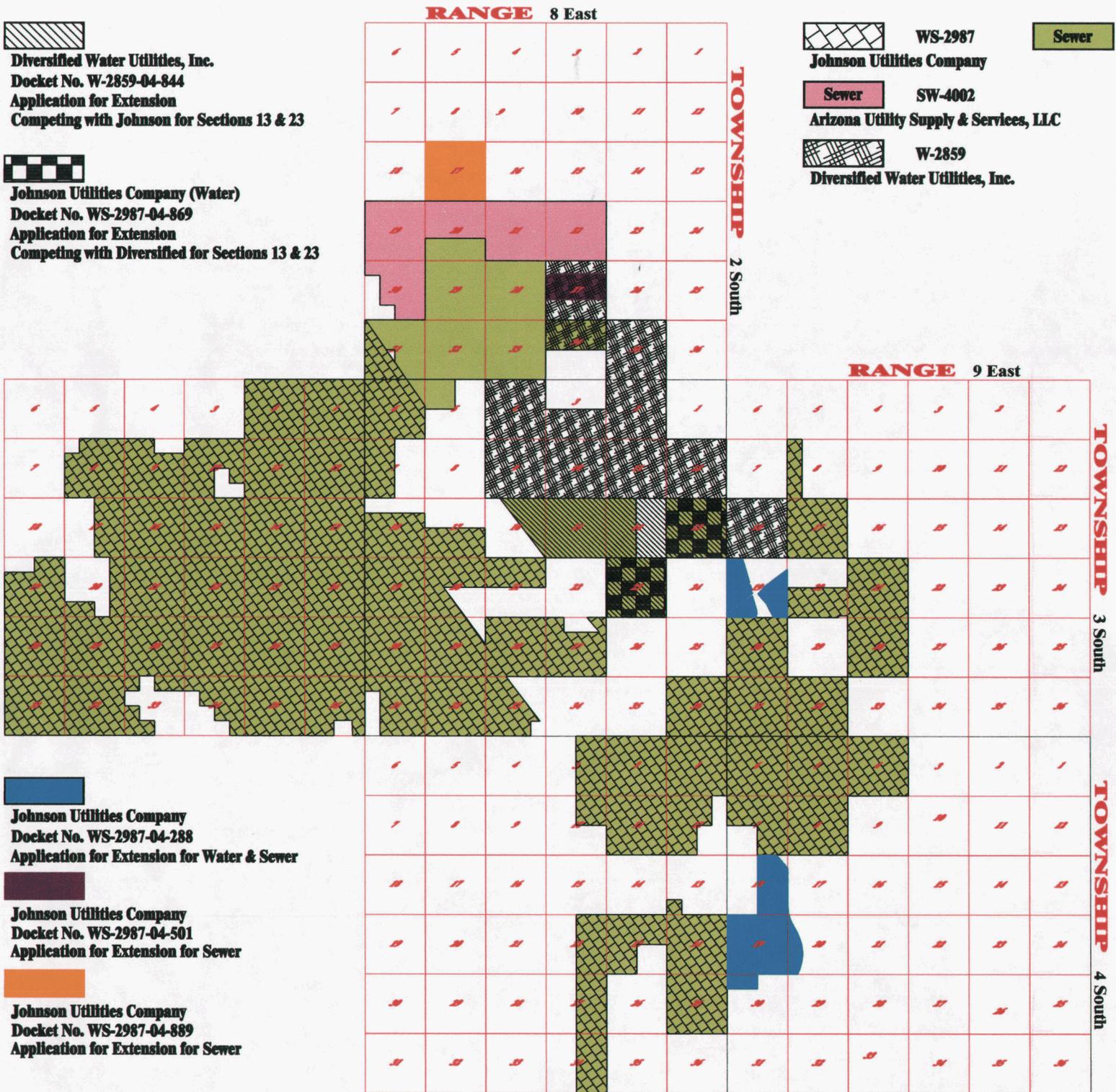
 **Diversified Water Utilities, Inc.**  
**Docket No. W-2859-04-844**  
**Application for Extension**  
**Competing with Johnson for Sections 13 & 23**

 **Johnson Utilities Company (Water)**  
**Docket No. WS-2987-04-869**  
**Application for Extension**  
**Competing with Diversified for Sections 13 & 23**

 **WS-2987**  **Sewer**  
**Johnson Utilities Company**

 **Sewer** **SW-4002**  
**Arizona Utility Supply & Services, LLC**

 **W-2859**  
**Diversified Water Utilities, Inc.**



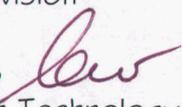
 **Johnson Utilities Company**  
**Docket No. WS-2987-04-288**  
**Application for Extension for Water & Sewer**

 **Johnson Utilities Company**  
**Docket No. WS-2987-04-501**  
**Application for Extension for Sewer**

 **Johnson Utilities Company**  
**Docket No. WS-2987-04-889**  
**Application for Extension for Sewer**

## MEMORANDUM

TO: Jim Fisher  
Executive Consultant II  
Utilities Division

FROM: Barb Wells   
Information Technology Specialist  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: November 30, 2004

RE: **JOHNSON UTILITIES COMPANY (DOCKET NO. WS-02987A-04-0288)**  
**AMENDED LEGAL DESCRIPTION**

The area requested by Johnson has been plotted using two revised legal descriptions, which have been docketed; one on November 5, 2004 and one on November 29, 2004. These legal descriptions are attached and should be used in place of the original description submitted with the application.

Also attached are copies of the maps for your files.

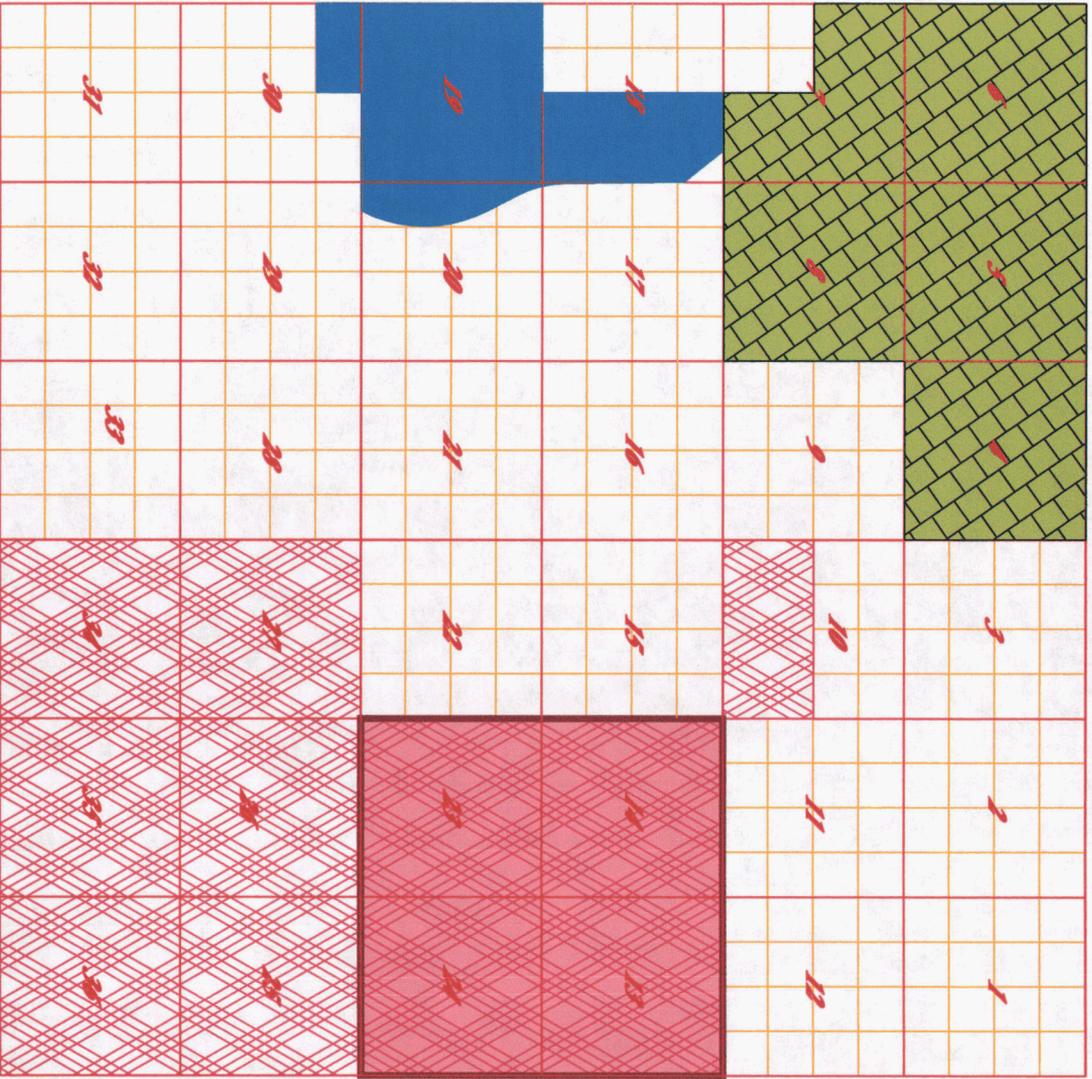
:bsw

Attachments

cc: Docket Control  
Mr. Jay Shapiro  
Deb Person (Hand Carried)  
File

# COUNTY: Pinal

## RANGE 9 East



## TOWNSHIP 4 South

 C-0005 (4)  Sewer

 City of Florence (Nonjurisdictional)

 WS-2987 (6)  Sewer

 Johnson Utilities Company

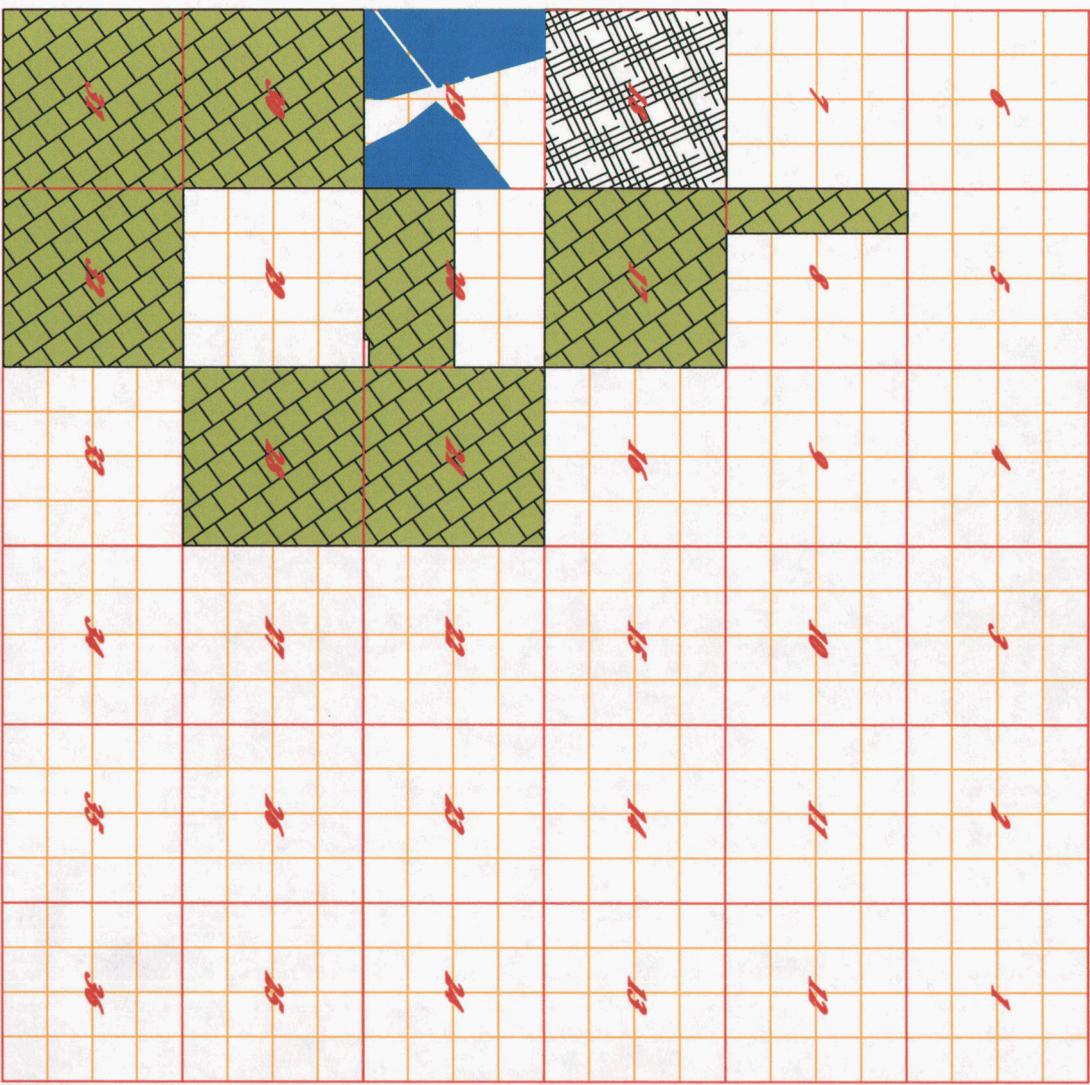
 Johnson Utilities Company

Docket No. WS-2987-04-288

Application for Extension for Water & Sewer

# COUNTY: Pinal

## RANGE 9 East



## TOWNSHIP 3 South

 WS-2987 (6)  Sewer

 Johnson Utilities Company

 W-2859 (3)

 Diversified Water Utilities, Inc.



Johnson Utilities Company  
 Docket No. WS-2987-04-288  
 Application for Extension for Water & Sewer



**JACK JOHNSON COMPANY**

Designing World Destinations

**PULTE-MERRILL RANCH  
Legal Description  
Johnson Utilities-Expanded 208 Area**

**August 30, 2004**

A portion of land lying within Section 19, and portions of Sections 18, 20 and 30, Township 4 South, Range 9 East of the GILA and SALT RIVER MERIDIAN, County of Pinal, Arizona, more particularly described as follows:

Beginning at the found U.S. G.L.O. 2½" Brass Cap at the North Quarter Corner of said Section 18;

Thence South 89°56'54" East along the Northerly Section Line of said Section 18, a distance of 1705.71 Feet to a point on the Southeasterly Railroad right of way line.

Thence South 39°07'29" East along said right of way line a distance of 1480.55 to the Centerline intersection of Felix Road.

Thence along said Felix Road centerline the following (4) courses.

1. South 00°34'05" East 3478.49 Feet to the beginning of a tangent curve, concave to the left and having a radius of 3000.00 Feet.
2. Thence Southeasterly along the arc of said curve through a central angle of 27°13'48" 1425.76 Feet to a point of tangency.
3. Thence South 27°47'53" East 969.69 Feet to the beginning of a tangent curve concave to right and having a radius of 4000.00 Feet.
4. Thence Southerly along the arc of said curve through a central angle of 55°24'15" a distance of 3867.95 Feet to a point of non tangency also being the point of intersection of the centerline of Felix Road and the Northerly Line of said Section 29.

Y:\742MerrillRanch\04\_Design\Survey\742 - Johnson Utilities 208 Expansion 8-30-04.doc

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EXHIBIT 5C



**JACK JOHNSON COMPANY**

Designing World Destinations

Thence South 89°54'02" West, along the Northerly Line of said Section 29, a distance of 775.03 Feet to a found 3" Pinal County Highway Department Aluminum Cap at the SOUTHEAST Section Corner of said Section 19;

Thence North 89°55'22" West along the Southerly Section Line of said Section 19, a distance of 2622.99 Feet to a found US GLO 2 ½" Brass Cap at the Quarter Corner point common to said Sections 30 and 19.

Thence South 00°03'30" West along the North-South Mid Section Line a distance of 1321.64 Feet

Thence North 89°55'37" West a distance of 2636.01 Feet to along the South Line of the North half of the Northwest Quarter of said Section 30.

Thence North 00°26'55" West along the West Section Line of said Section 30 a distance of 1322.38 Feet to a found US GLO 2 ½" Brass Cap at the Northwest Section Corner of said Section 30.

Thence North 00°26'07" West along the Westerly Section Line of said Section 19 a distance of 2646.78 Feet to a found 3" Aluminum Cap at the West Quarter Corner of said Section 19.

Thence continuing North 00°26'00" West along the Westerly Section Line of said Section 19 a distance of 2639.63 Feet to a found US GLO 2 ½" Brass Cap, This monument being disturbed and bent to the North, its position determined at the base of the monument, at the Northwest Section Corner of said Section 19.

Thence South 89°55'13" East along the Northerly Section Line of said Section 19 a distance of 2666.33 Feet to a found US GLO 2 ½" Brass Cap at the Quarter Corner common to said Sections 18 and 19.

Thence North 00°38'49" West along the North-South MID-Section Line of said Section 18 a distance of 2642.84 Feet to a Found 1 ½" Aluminum Cap being the center Quarter Corner of said Section 18.

Thence North 00°38'34" West a distance of 2643.23 Feet to a found US GLO 2 1/2" Brass Cap at the North Quarter Corner of said Section 18, and the Point of Beginning for the herein described tract.

Said description contains 1,134.78 acres, more or less.

Y:\742MerrillRanch\04\_Design\Survey\742 - Johnson Utilities 208 Expansion 8-30-04.doc

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EXHIBIT 5C

**EXHIBIT "A"**

**PARCEL NO. 1:**

The Southwest quarter of Section 19, Township 3 South, Range 9 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona, lying South and East of the MAGMA RAILROAD right-of-way as set forth in Book 51 of Deeds, Pages 648 and 650;

EXCEPT BEGINNING at a point in the South boundary of said Section 19 that bears South 89 degrees, 24 minutes, 28 seconds East, a distance of 2598.58 feet from the Southwest corner of said Section 19;

thence leaving said POINT OF BEGINNING North 01 degrees, 41 minutes, 40 seconds West, a distance of 291.97 feet;

thence North 88 degrees, 18 minutes, 57 seconds East, a distance of 50.00 feet;

thence North 01 degrees, 41 minutes, 03 seconds West, a distance of 244.62 feet;

thence North 08 degrees, 51 minutes, 01 seconds West, a distance of 188.33 feet;

thence North 16 degrees, 01 minutes, 03 seconds West, a distance of 1306.42 feet to the Southeasterly boundary of that area described in the Patent to the MAGMA-ARIZONA RAILROAD COMPANY, an Arizona corporation, recorded as Book 51 of Deeds, Page 648, Pinal County, Arizona, said point bears North 48 degrees, 57 minutes, 32 seconds East, a distance of 2974.04 feet from said Southwest corner of said Section 19;

thence along said Southeasterly boundary North 52 degrees, 36 minutes, 47 seconds East, a distance of 1217.33 feet;

thence leaving said Southeasterly boundary South 37 degrees, 23 minutes, 13 seconds East, a distance of 45.00 feet;

thence South 42 degrees, 53 minutes, 58 seconds West, a distance of 759.02 feet;

thence South 39 degrees, 12 minutes, 50 seconds East, a distance of 1142.16 feet;

thence South 27 degrees, 31 minutes, 05 seconds East, a distance of 1417.99 feet to a point in said South boundary of said Section 19 that bears North 89 degrees, 24 minutes, 28 seconds West, a distance of 1321.01 feet from the Southeast corner of said Section 19;

thence along said South boundary North 89 degrees, 24 minutes, 28 seconds West, a distance of 1499.92 feet to said POINT OF BEGINNING.

PARCEL NO. 2:

The East half of Section 19, Township 3 South, Range 9 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona, lying South and East of the MAGMA RAILROAD right-of-way as set forth as Book 51 of Deeds, Pages 648 and 650;

EXCEPT BEGINNING at a point in the South boundary of said Section 19 that bears South 89 degrees, 24 minutes, 28 seconds East, a distance of 2598.58 feet from the Southwest corner of said Section 19;

thence leaving said POINT OF BEGINNING North 01 degrees, 41 minutes, 40 seconds West, a distance of 291.97 feet;

thence North 88 degrees, 18 minutes, 57 seconds East, a distance of 50.00 feet;

thence North 01 degrees, 41 minutes, 03 seconds West, a distance of 244.62 feet;

thence North 08 degrees, 51 minutes, 01 seconds West, a distance of 188.33 feet;

thence North 16 degrees, 01 minutes, 03 seconds West, a distance of 1306.42 feet to the Southeasterly boundary of that area described in the Patent to the MAGMA-ARIZONA RAILROAD COMPANY, an Arizona corporation, recorded as Book 51 of Deeds, Page 648, Pinal County, Arizona, said point bears North 48 degrees, 57 minutes, 32 seconds East, a distance of 2974.04 feet from said Southwest corner of said Section 19;

thence along said Southeasterly boundary North 52 degrees, 36 minutes, 47 seconds East, a distance of 1217.33 feet;

thence leaving said Southeasterly boundary South 37 degrees, 23 minutes, 13 seconds East, a distance of 45.00 feet;

thence South 42 degrees, 53 minutes, 58 seconds West, a distance of 759.02 feet;

thence South 39 degrees, 12 minutes, 50 seconds East, a distance of 1142.16 feet;

thence South 27 degrees, 31 minutes, 05 seconds East, a distance of 1417.99 feet to a point in said South boundary of said Section 19 that bears North 89 degrees, 24 minutes, 28 seconds West, a distance of 1321.01 feet from the Southeast corner of said Section 19;

thence along said South boundary North 89 degrees, 24 minutes, 28 seconds West, a distance of 1499.92 feet to said POINT OF BEGINNING.

PARCEL NO. 3:

The West half of Section 19, Township 3 South, Range 9 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona, lying North and West of the MAGMA RAILROAD right-of-way as set forth as Book 51 of Deeds, Pages 648 and 650;

EXCEPT BEGINNING at a point in the North boundary of said Section 19 that bears South 89 degrees, 42 minutes, 37 seconds East, a distance of 1393.64 feet from the Northwest corner of said Section 19;

thence along said North boundary South 89 degrees, 42 minutes, 37 seconds East, a distance of 4101.11 feet to the Northeast corner of said Section 19;

thence along the East boundary of said Section 19 South 00 degrees, 19 minutes, 58 seconds East, a distance of 650.81 feet to the Northwesterly boundary of that area described in the Patent to the MAGMA-ARIZONA RAILROAD COMPANY, an Arizona corporation, recorded as Book 51 of Deeds, Page 648, Pinal County, Arizona;

thence along said Northwesterly boundary South 52 degrees, 36 minutes, 47 seconds West, a distance of 4037.77 feet to a point that bears North 45 degrees, 19 minutes, 33 seconds East, a distance of 3071.05 feet from the Southwest corner of said Section 19;

thence North 16 degrees, 01 minutes, 03 seconds West, a distance of 794.87 feet;

thence South 73 degrees, 58 minutes, 57 seconds West, a distance of 74.97 feet;

thence North 16 degrees, 01 minutes, 03 seconds West, a distance of 199.97 feet;

thence North 73 degrees, 58 minutes, 57 seconds East, a distance of 74.97 feet;

thence North 16 degrees, 01 minutes, 03 seconds West, a distance of 2254.57 feet to the said POINT OF BEGINNING; and

EXCEPT BEGINNING at a point that bears South 37 degrees, 32 minutes, 44 seconds East, a distance of 3645.04 feet from the Northwest corner of said Section 19 which point lies in the Westerly right-of-way boundary of the CENTRAL ARIZONA PROJECT CANAL as described in Declaration of Taking recorded as Docket 1112, Page 634 of the Records of Pinal County, Arizona;

thence South 16 degrees, 01 minutes, 03 seconds East, along said Westerly right-of-way boundary, a distance of 110.00 feet;

thence Southwesterly and perpendicular to said Westerly right-of-way boundary, a distance of 80.00 feet;

thence Northwesterly and parallel to said Westerly right-of-way boundary, a distance of 110.00 feet;

thence Northeasterly and perpendicular to said Westerly right-of-way boundary, a distance of 80.00 feet to said POINT OF BEGINNING.