



0000023439

30

ORIGINAL MEMORANDUM

TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
for Director
Utilities Division 

Date: July 8, 2005

RE: STAFF REPORT FOR CHAPARRAL CITY WATER COMPANY, INC. -
APPLICATION FOR AN ORDER PRELIMINARY TO EXTENSION OF ITS
CERTIFICATES OF CONVENIENCE AND NECESSITY TO PROVIDE
WATER SERVICE (DOCKET NO. W-02113A-05-0178)

Attached is the Staff Report for Chaparral City Water Company, Inc. application for an Order Preliminary to extension of its existing Certificate of Convenience and Necessity for water service. Staff is recommending that the Commission issue an Order Preliminary.

EGJ:BNC:red

Originator: Blessing Chukwu

Attachment: Original and 13 Copies

RECEIVED
2005 JUL - 8 1 A 10: 20
AZ CORP COMMISSION
DOCUMENT CONTROL

Service List for: Chaparral City Water Company, Inc.
Docket No. W-02113A-05-0178

Mr. Jay Shapiro
Mr. Norman D. James
FENNEMORE CRAIG
3003 N. Central Avenue
Suite 2600
Phoenix, Arizona 85012

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

CHAPARRAL CITY WATER COMPANY, INC.

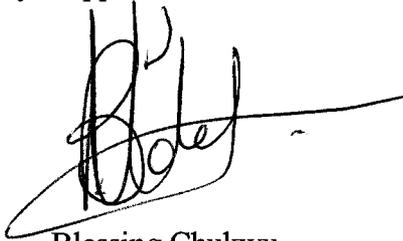
DOCKET NO. W-02113A-05-0178

APPLICATION FOR AN ORDER PRELIMINARY TO EXTENSION
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO PROVIDE
WATER SERVICE

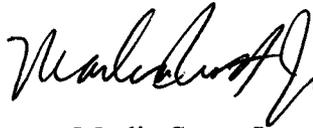
JULY 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Chaparral City Water Company, Inc. (Docket No. W-02113A-05-0178) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'Blessing Chukwu', with a long horizontal stroke extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to be 'Marlin Scott, Jr.', with a stylized, cursive script.

Marlin Scott, Jr.
Utilities Engineer

EXECUTIVE SUMMARY
CHAPARRAL CITY WATER COMPANY, INC.
APPLICATION FOR AN ORDER PRELIMINARY TO EXTENSION OF
CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. W-02113A-05-0178

On March 10, 2005, Chaparral City Water Company, Inc. ("Chaparral City " or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an order preliminary to the extension of its Certificate of Convenience and Necessity ("CC&N") to a portion of Maricopa County, Arizona, pursuant to A.R.S. § 40-282.D. On April 4, 2005, the ACC Utilities Division ("Staff") and the Company filed a Joint Request for Procedural Schedule setting forth a procedural schedule for the conduct of this proceeding. The application was deemed administratively complete, in accordance with A.R.S. § 40-1074.C. On April 13, 2005, the Commission issued a Procedural Order to govern the preparation and conduct of this proceeding.

Chaparral City is an Arizona Corporation, in good standing, and engaged in providing water utility services in portions of eastern Maricopa County, Arizona, including the Town of Fountain Hills. On September 2, 1970, this Commission, by Decision No. 40813, issued an order preliminary to the issuance of the CC&N to Chaparral City and stating that the CC&N would issue upon filing of the approval of the State Health Department. The approval was filed with the Commission on April 12, 1971. On April 20, 1971, the Commission issued Decision No. 41243 granting a CC&N to Chaparral City and subsequently extended the CC&N by Decision No. 63201 (November 30, 2000). According to the Company's Annual Report for the year ending December 31, 2004, the Company has water utility plant in service of approximately \$31 million.

By this application, the Company is seeking Commission authority to extend its service territory to include approximately 1,313 acres of land owned by the State of Arizona and administered by the Arizona State Land Department ("ASLD") as State Trust land. The extension area will add approximately two square-miles to Chaparral City's existing 19 square-miles of certificated area. According to the Application, the Town of Fountain Hills and Maricopa County have expressed interests in annexing the extension area after it is sold, and ASLD has begun the process of preparing the property for sale at a public auction.

Based on Staff's review and analysis of the information provided in this docket, Staff concludes that the Company's existing system has adequate source and storage capacity to serve its current customer base of approximately 12,700 and could serve up to approximately 18,000 connections.

Chaparral City is in compliance with the Maricopa County Environmental Services Department ("MCESD"), the Commission, and the Arizona Department of Water Resources ("ADWR").

Staff recommends approval of Chaparral City's application for an extension of its CC&N to provide water services to the State Trust land, with the following conditions:

1. That the Commission issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&N extension to Chaparral City.
2. That Chaparral City be required not to construct any water distribution mains within the CC&N extension area defined by this docket, nor to provide any water services within the CC&N extension area defined by this docket until and after the issuance of a subsequent "Final Order" of the Commission issuing the CC&N in this Docket.
3. That Chaparral City be required to demonstrate to the satisfaction of the Director of Utilities that the Company can meet the water production needs in PWS No. 07-017 for its current customer base and the expected demand in the area being requested in this application. The above can be demonstrated by filing a list with Docket Control of pending or future water sources, their anticipated production capacity in gallons per minute, and a time schedule for ADEQ approval of construction and operation.
4. That Chaparral City be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N extension application. Chaparral City shall file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.
5. That Chaparral City be required to docket the projected number of customers to be served in the extension area at build out.
6. That Chaparral City be required to docket the projected cost of utility facilities to the extension area.
7. That Chaparral City be required to file with Docket Control copies of each ADEQ and/or MCESD "Approval to Construct" for the requested extension area prior to providing service from the facilities covered by each Approval to Construct.
8. That Chaparral City be required to file, with Docket Control, a copy of the amended Maricopa County franchise agreement or in the alternative a franchise agreement with the Town of Fountain Hills (as the case may be) pursuant to this application.
9. That Chaparral City be required to comply with items 3, 4, 5, 6, 7 and 8 above within 3 years of the effective date of the Order Preliminary. If Chaparral City complies with these items within the 3 year time-frame, it shall be required to file a motion within 3 years of the effectiveness of the Order Preliminary to have the Commission issue its final CC&N decision. If Chaparral City fails to meet the 3 year time-frame, it shall be required to submit a new CC&N application if it still desires to serve the area requested in this application and to file proof of such submission in this docket for compliance purposes.

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INTRODUCTION | 1 |
| BACKGROUND..... | 1 |
| THE EXTENSION REQUEST | 2 |
| THE WATER SYSTEM | 2 |
| ACC COMPLIANCE..... | 2 |
| MARICOPA COUNTY ENVIRONMENTAL SERVICES DEPARTMENT (“MCESD”) COMPLIANCE..... | 2 |
| ARIZONA DEPARTMENT OF WATER RESOURCES (ADWR”) COMPLIANCE | 3 |
| ARSENIC | 3 |
| CURTAILMENT TARIFF | 3 |
| PROPOSED RATES..... | 4 |
| FRANCHISE | 4 |
| RECOMMENDATIONS | 4 |

ATTACHMENT(S)

| | |
|--------------------------------|----------|
| ENGINEERING REPORT..... | A |
| ENGINEERING MAP | B |

Introduction

On March 10, 2005, Chaparral City Water Company, Inc. ("Chaparral City " or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an order preliminary to the extension of its Certificate of Convenience and Necessity ("CC&N") to a portion of Maricopa County, Arizona, pursuant to A.R.S. § 40-282.D.

On April 4, 2005, the ACC Utilities Division ("Staff") and Chaparral City filed a Joint Request for Procedural Schedule setting forth a procedural schedule for the conduct of this proceeding.

The application was deemed administratively complete, in accordance with A.R.S. § 40-1074.C. On April 13, 2005, the Commission issued a Procedural Order to govern the preparation and conduct of this proceeding.

Background

Chaparral City is an Arizona Corporation, in good standing, and engaged in providing water utility services in portions of eastern Maricopa County, Arizona, including the Town of Fountain Hills. The Company currently serves approximately 12,700 water utility customers, which includes residential, commercial, and irrigation customers.

On September 2, 1970, this Commission, by Decision No. 40813, issued an order preliminary to the issuance of the CC&N to Chaparral City and stating that the CC&N would issue upon filing of the approval of the State Health Department. The approval was filed with the Commission on April 12, 1971. On April 20, 1971, the Commission issued Decision No. 41243 granting a CC&N to Chaparral City to provide water utility services in a portion of Maricopa County, Arizona. The CC&N was subsequently extended by Decision No. 63201 (November 30, 2000).

Chaparral City is a wholly-owned subsidiary of American States Water Company ("American States").¹ American States is a holding company and owns four subsidiaries, including Chaparral City. The other subsidiaries are as follows: Southern California Water Company which provides regulated water utility services; American States Utility Services, Inc., which provides unregulated water and wastewater utility related services; and Bear Valley Electric, which provides regulated electric utility services.

According to the Company's Annual Report for the year ending December 31, 2004, the Company has water utility plant in service of approximately \$31 million. The Company reported an annual revenue of approximately \$6.5 million for water for year 2004. Chaparral City reported long term debt of \$7,205,309 for water.

¹ The ACC approved the acquisition of Chaparral City's stock by American Water from MCO Properties, Inc., in Decision No. 62909 (September 18, 2000).

The Extension Request

Chaparral City is currently certificated by the Commission to provide water services in portions of eastern Maricopa County, Arizona, including the Town of Fountain Hills ("Town"). By this application, the Company is seeking Commission authority to extend its service territory to include approximately 1,313 acres of land owned by the State of Arizona and administered by the Arizona State Land Department ("ASLD") as State Trust land. Of the 1,313 acres, only 35 acres (Fountain Hills Middle School site) is developed and is already being served by Chaparral City. The extension area will add approximately two square-miles to Chaparral City's existing 19 square-miles of certificated area. According to the Application, the Town and Maricopa County have expressed interests in annexing the extension area after it is sold, and ASLD has begun the process of preparing the property for sale at a public auction. Letters from the Town and ASLD indicate that this sale would be facilitated by the approval of this CC&N application.

The Water System

Chaparral City's existing system serves the Town. The operation of the water system consists of a Central Arizona Project ("CAP") water treatment plant (18 million gallons per day), two wells (totaling 2,400 gallons per minute), eight storage tanks (totaling 10.3 million gallons), six booster stations and a distribution system, with four pressure zones, serving approximately 12,700 customers. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 15,800 connections at the end of 2008.

At this time, the Company is unable to provide the proposed plant cost and any estimate of the number of customers to be served in the requested area. The specific configuration of any development in the requested area is not yet known.

Staff concludes that the Company's existing system has adequate source and storage capacity to serve its current customer base of approximately 12,700 and could serve up to approximately 18,000 connections.

ACC Compliance

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

Maricopa County Environmental Services Department ("MCESD") Compliance

MCESD reported the Company's system, Public Water System No. 07-017, has no major deficiencies. Based on data submitted to MCESD, MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

No specific configuration of any development in the requested area is known. As such, the Company cannot submit for a Certificate of Approval to Construct ("ATC") for construction of its facilities until the development project is known.

Arizona Department of Water Resources (ADWR") Compliance

There are five (5) Active Management Areas ("AMAs") in Arizona and each has a different goal depending on the water supply need of the area. Chaparral City is located in the Phoenix AMA, as designated by ADWR. The primary management goal of the Phoenix AMA is to attain "safe-yield" by 2005. Safe-yield is a long-term balance between the annual amount of groundwater withdrawn in the AMA and the annual amount of natural and artificial recharge. As a result, Chaparral City is subject to the reporting and conservation rules of ADWR. ADWR has indicated that the Company is in compliance with the Phoenix AMA requirements.

Since Chaparral City is located within the Phoenix AMA, the extension area developer(s) is required by ADWR to demonstrate an assured water supply that will be physically, legally, and continuously available for the next 100 years before the developer can record plats or sell parcels. The developer(s) can prove a 100 year supply by satisfying the requirements to obtain a Certificate of Assured Water Supply or by a written commitment of service from a provider with a Designation of Assured Water Supply. Presently Chaparral City holds a Designation of Assured Water Supply for its existing service area. It is assumed that Chaparral City will continue to elect this alternative.

Therefore, Staff recommends that Chaparral City be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N application. Also, Staff recommends that Chaparral City file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g/l}$. The date for compliance with the new MCL is January 23, 2006.

The Company reported its CAP water source with an arsenic level of 2 ppb and its well sources at 12 ppb and 13 ppb. The Company is proposing to blend its well sources with the CAP water source in order to meet the new arsenic MCL.

Curtailment Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

A Curtailment Plan Tariff ("CPT") was submitted by the Company in its pending rate case proceeding under Docket No. W-02113A-04-0616 and is under review in that docket.

Proposed Rates

Chaparral City is proposing to provide water utility services to the extension area at its tariffed rates and charges.

Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Chaparral City has an existing franchise from Maricopa County to provide water services in its certificated areas. Staff recommends that Chaparral City be required to file, with Docket Control, a copy of the amended Maricopa County franchise agreement or in the alternative a franchise agreement from the Town of Fountain Hills (as the case may be) pursuant to this application.

Recommendations

Staff recommends approval of Chaparral City's application for an extension of its CC&N to provide water services to the State Trust land, with the following conditions:

1. That the Commission issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&N extension to Chaparral City.
2. That Chaparral City be required not to construct any water distribution mains within the CC&N extension area defined by this docket, nor to provide any water services within the CC&N extension area defined by this docket until and after the issuance of a subsequent "Final Order" of the Commission issuing the CC&N in this Docket.
3. That Chaparral City be required to demonstrate to the satisfaction of the Director of Utilities that the Company can meet the water production needs in PWS No. 07-017 for its current customer base and the expected demand in the area being requested in this application. The above can be demonstrated by filing a list with Docket Control of pending or future water sources, their anticipated production capacity in gallons per minute, and a time schedule for ADEQ approval of construction and operation.
4. That Chaparral City be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N extension application. Chaparral City

shall file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.

5. That Chaparral City be required to docket the projected number of customers to be served in the extension area at build out.
6. That Chaparral City be required to docket the projected cost of utility facilities to the extension area.
7. That Chaparral City be required to file with Docket Control copies of each ADEQ and/or MCESD "Approval to Construct" for the requested extension area prior to providing service from the facilities covered by each Approval to Construct.
8. That Chaparral City be required to file, with Docket Control, a copy of the amended Maricopa County franchise agreement or in the alternative a franchise agreement with the Town of Fountain Hills (as the case may be) pursuant to this application.
9. That Chaparral City be required to comply with items 3, 4, 5, 6, 7 and 8 above within 3 years of the effective date of the Order Preliminary. If Chaparral City complies with these items within the 3 year time-frame, it shall be required to file a motion within 3 years of the effectiveness of the Order Preliminary to have the Commission issue its final CC&N decision. If Chaparral City fails to meet the 3 year time-frame, it shall be required to submit a new CC&N application if it still desires to serve the area requested in this application and to file proof of such submission in this docket for compliance purposes.

MEMORANDUM

DATE: June 21, 2005

TO: Blessing Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr. *MSJ*
Utilities Engineer

RE: Chaparral City Water Company, Inc.
Docket No. W-02113A-05-0178 (CC&N Extension)

Introduction

Chaparral City Water Company, Inc. ("Company") has submitted an application for an order preliminary to extend its Certificate of Convenience and Necessity ("CC&N"). The requested area will add approximately two square-miles to its existing 19 square-miles of certificated area. The Company's existing CC&N area is located within the Town of Fountain Hills in Maricopa County.

Capacity

Existing System

The Company's existing system serves Fountain Hills. The operation of the water system consists of a Central Arizona Project water treatment plant (18 million gallons per day), two wells (totaling 2,400 GPM), eight storage tanks (totaling 10.3 million gallons), six booster stations and a distribution system, with four pressure zones, serving approximately 12,700 customers. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 15,800 connections at the end of 2008.

Staff concludes that the Company's existing system has adequate source and storage capacity to serve its current customer base of 12,700 and could serve up to 18,000 connections.

Proposed Plant Facilities

At this time, the Company is unable to provide the proposed plant cost and any estimate of the number of customers to be served in the requested area. The specific configuration of any development in the requested area is not yet known.

Maricopa County Environmental Services Department ("MCESD") Compliance

Compliance Status

MCESD reported the Company's system, Public Water System No. 07-017, has no major deficiencies and based on data submitted to MCESD; MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Certificate of Approval to Construct

No specific configuration of any development in the requested area is known. The Company cannot submit for a Certificate of Approval to Construct ("ATC") for construction of its facilities until the development project is known.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL is January 23, 2006.

The Company reported its CAP water source with an arsenic level of 2 ppb and its well sources at 12 ppb and 13 ppb. The Company is proposing to blend its well sources with the CAP water source in order to meet the new arsenic MCL.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

The Company is located in the Phoenix Active Management Area ("AMA") and is in compliance with its reporting and conservation requirements.

Certificate of Assured Water Supply

No determination of water adequacy was submitted for the requested area.

Arizona Corporation Commission ("ACC") Compliance

A check with the Utilities Division Compliance Section showed no outstanding compliance issues for this Company.

Curtailement Plan Tariff

A Curtailement Plan Tariff ("CPT") was submitted by the Company in its pending rate case proceeding under Docket No. W-02113A-04-0616 and is under review in that docket.

Summary

Conclusions

- A. Staff concludes that the Company's existing system has adequate source and storage capacity to serve its current customer base of 12,700 and could serve up to 18,000 connections.
- B. MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
- C. The Company reported its CAP water source with an arsenic level of 2 ppb and its well sources at 12 ppb and 13 ppb. The Company is proposing to blend its well sources with the CAP water source in order to meet the new arsenic MCL.
- D. The Company is located in the Phoenix AMA and is in compliance with its reporting and conservation requirements.
- E. A check with the Utilities Division Compliance Section showed no outstanding compliance issues.
- F. A Curtailment Plan Tariff ("CPT") was submitted by the Company in its pending rate case proceeding under Docket No. W-02113A-04-0616 and is under review in that docket.

Recommendations

The Company has requested an order preliminary to extend its CC&N and has agreed to submission of the following before the CC&N is extended:

1. Projected number of customers to be served in the extension area during the first five years.
2. Projected cost of utility plant needed to provide water utility service to the extension area.
3. Copies of the Approval to Construct for plant facilities to the requested area.
4. Copies of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

Staff recommends that the above four numbered items be filed in Docket Control within two years after a decision is issued in this proceeding.

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: March 22, 2005

RE: **CHAPARRAL CITY WATER COMPANY (DOCKET NO. W-02113A-05-0178)**

The area requested by Chaparral for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

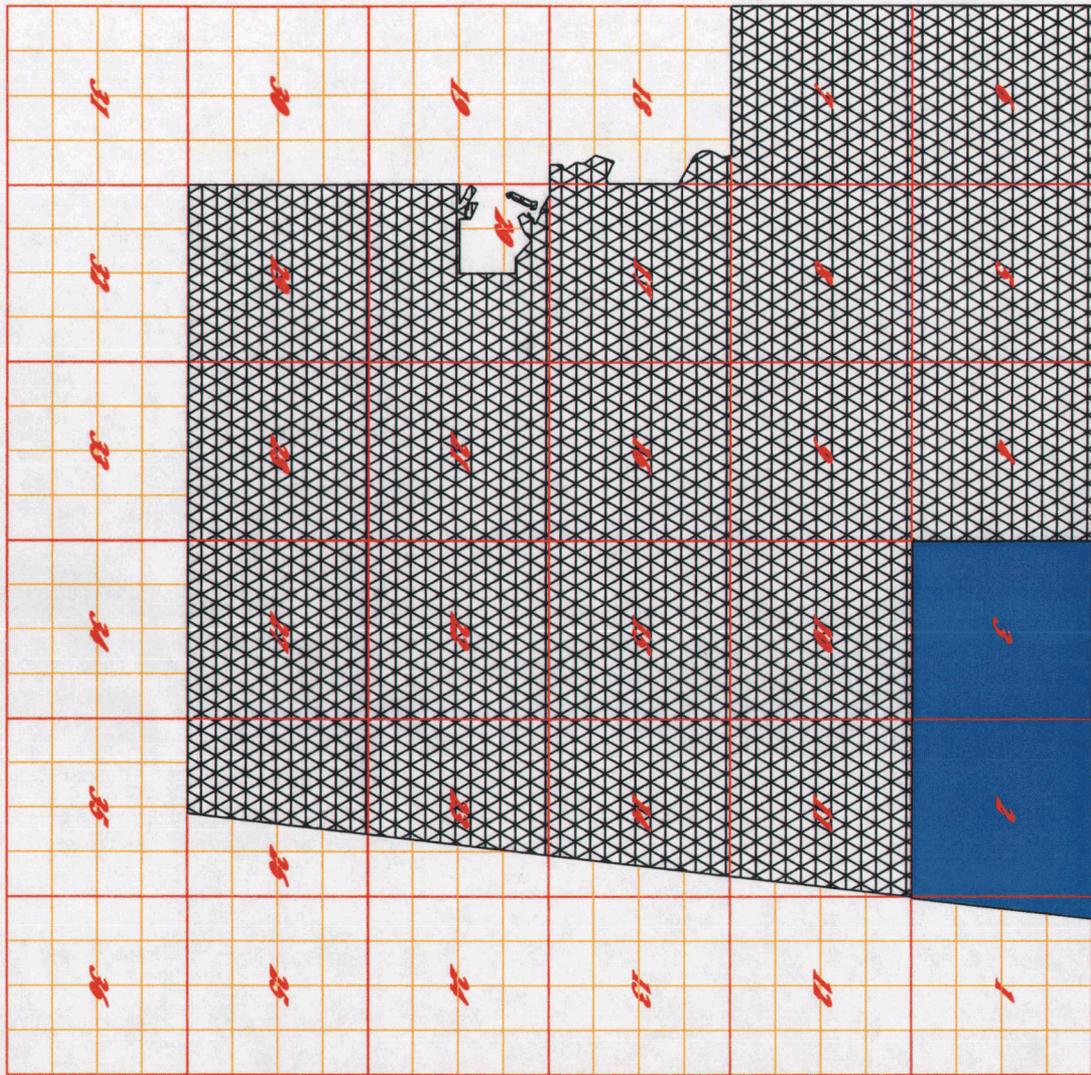
:bsw

Attachments

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

COUNTY: Maricopa

RANGE 6 East



TOWNSHIP 3 North



W-2113 (1)

Chaparal City Water Company



Chaparal City Water Company
Docket No. W-2113-05-178
Application for Extension

ARIZONA STATE LAND DEPARTMENT
LEGAL DESCRIPTION FORM

SUBMITTED TO:
REFERENCE: FOUNTAIN HILLS

THIS IS TO CERTIFY THAT THIS
LEGAL DESCRIPTION WAS
PREPARED UNDER MY DIRECTION.



THE ENGINEERING AND MAPPING SECTION HEREBY SUBMITS
THE LEGAL DESCRIPTION OF LANDS REQUIRED
AND LOCATED IN:
SEC. 1, 2, 3 TWP. 3N RGE 6E CO. MARICOPA

LEGAL DESCRIPTION:

GOVERNMENT LOTS 9, 10, AND 11, OF SECTION 1, AND GOVERNMENT LOTS 1 THRU 4, THE SOUTH HALF OF THE NORTH HALF, AND THE SOUTH HALF OF SECTION 2, AND GOVERNMENT LOTS 1 THRU 4, THE SOUTH HALF OF THE NORTH HALF, AND THE SOUTH HALF OF SECTION 3, TOWNSHIP 3 NORTH, RANGE 6 EAST, OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 1, ALSO BEING THE NORTHEAST CORNER OF SECTION 2,,

THENCE N90°00'E ALONG THE NORTH LINE OF SAID SECTION 1, A DISTANCE OF 657.36 FEET, TO THE NORTHEAST CORNER OF LOT 9,

THENCE S6°38'W, ALONG THE EAST LINE OF LOTS 9 AND 10, A DISTANCE OF 2208.36 FEET,

THENCE S6°36'W, ALONG THE EAST LINE OF LOTS 10 AND 11, A DISTANCE OF 2640.00 FEET,

THENCE S6°39'W, ALONG THE EAST LINE OF LOT 11, A DISTANCE OF 461.34 FEET, TO THE SOUTH LINE OF SECTION 1,

THENCE N90°00'W ALONG THE SOUTH LINE OF SAID SECTION 1, A DISTANCE OF 38.94 FEET, TO THE SOUTHWEST CORNER OF SECTION 1, ALSO BEING THE SOUTHEAST CORNER OF SECTION 2,

THENCE N89°51'W ALONG THE SOUTH LINE OF SAID SECTION 2; A DISTANCE OF 5257.56 FEET, TO THE SOUTHWEST CORNER OF SECTION 2, ALSO BEING THE SOUTHEAST CORNER OF SECTION 3,

THENCE N89°55'W ALONG THE SOUTH LINE OF SAID SECTION 3, A DISTANCE OF 5277.36 FEET, TO THE SOUTHWEST CORNER OF SECTION 3,

THENCE N00°15'W ALONG THE WEST LINE OF SAID SECTION 3, A DISTANCE OF 5208.72 FEET, TO THE NORTHWEST CORNER OF SECTION 3,

THENCE N89°48'E ALONG THE NORTH LINE OF SAID SECTION 3, A DISTANCE OF 5280.00 FEET, TO THE NORTHEAST CORNER OF SECTION 3, ALSO BEING THE NORTHWEST CORNER OF SECTION 2,

THENCE CONTINUING N89°48'E ALONG THE NORTH LINE OF SAID SECTION 2, A DISTANCE OF 5280.00 FEET, TO THE NORTHEAST CORNER OF SECTION 2, ALSO BEING THE NORTHWEST CORNER OF SECTION 1, AND THE POINT OF BEGINNING.

CONTAINING 1312.68 ACRES, MORE OR LESS

John P. Nebrich
SIGNATURE

1/3/05
DATE