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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

MAR 23 2006

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY FOR AN
EXTENSION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY.

DOCKET NO. W-01445A-05-0469

DECISION NO. 68607

OPINION AND ORDER

DATE OF HEARING: December 9, 2005

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Amy B. Bjelland

APPEARANCES:

Mr. Robert Geake, Vice President and General Counsel, Arizona Water Company, on behalf of Applicant;

Mr. David Ronald, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission; and

Mr. Thomas Campbell, LEWIS AND ROCA, LLP, on behalf of the City of Eloy.

BY THE COMMISSION:

On June 30, 2005, Arizona Water Company ("Arizona Water", "AWC", or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its existing Certificate of Convenience and Necessity ("CC&N") to provide water service in portions of Pinal County, Arizona.

Notice of the application was provided in accordance with the law.

On October 26, 2005, Arizona Water filed its Certificate of Filing Franchise for the City of Casa Grande. Its franchise to operate in Pinal County was filed with its application.

On November 2, 2005, the City of Eloy ("Eloy") applied for intervention in this matter. Eloy's request for intervention was granted by Procedural Order on November 17, 2005.

On November 10, 2005 the Commission's Utilities Division Staff ("Staff") filed its Staff

1 Report recommending approval of the application with conditions.

2 * * * * *

3 Having considered the entire record herein and being fully advised in the premises, the
4 Commission finds, concludes, and orders that:

5 **FINDINGS OF FACT**

6 **Background of Application**

7 1. Pursuant to authority granted by the Commission, Arizona Water is an Arizona
8 corporation that provides water utility service to approximately 73,000 customers in various portions
9 of Cochise, Coconino, Gila, Maricopa, Navajo, Pima, Pinal and Yavapai Counties in Arizona.

10 2. On June 30, 2005, Arizona Water filed with the Commission an Application for an
11 extension of its existing CC&N to provide water service in portions of Pinal County, Arizona. The
12 proposed extension area includes over 1,500 acres contained in eight non-contiguous parcels in and
13 around the cities of Casa Grande and Eloy.

14 3. On July 21, 2005, Staff filed an Insufficiency Letter.

15 4. On August 30, 2005, Arizona Water filed Additional Information in Response to
16 Staff's Insufficiency Letter.

17 5. On September 7, 2005, Staff filed a Letter of Sufficiency.

18 6. On September 26, 2005, a Procedural Order issued setting forth deadlines for filings in
19 this docket.

20 7. Notice of the application was provided in accordance with the law.

21 8. On October 26, 2005, Arizona filed its Certificate of Filing Franchise for the City of
22 Casa Grande.

23 9. On November 2, 2005, Eloy applied for intervention in this matter. Eloy's request for
24 intervention was granted by Procedural Order on November 17, 2005.

25 10. On November 9, 2005, Staff filed a Motion for Extension of Time to file its Staff
26 Report until November 17, 2005 and for a similar extension of time for Arizona Water to file its
27 response. This request was granted by Procedural Order on November 10, 2005.

28 11. On November 10, 2005, Eloy filed its Notice of Filing Direct Testimony of Doug

1 Olson and Staff filed its Staff Report. Staff recommended approval of the application with
2 conditions.

3 12. On December 1, 2005, Arizona Water also filed its Responses to the Staff Report and
4 City of Eloy's Testimony.

5 13. A hearing convened on December 9, 2005, before a duly authorized Administrative
6 Law Judge of the Commission. Each party appeared with counsel. At hearing, without objection,
7 Arizona Water orally amended its application to remove Parcel 2, doing so at the request of the
8 landowner of Parcel 2, and Staff introduced, without objection, Staff's revised recommendations. At
9 the conclusion of the hearing, the matter was taken under advisement pending docketing of late-filed
10 exhibits.

11 14. On January 4, 2006, the City of Eloy filed its Notice of Filing Late Filed Exhibit
12 showing the current City of Eloy municipal boundary. Staff filed its Notice of Filing Late Filed
13 Exhibit showing certificated water companies located and operating within Eloy's planned
14 development area.

15 15. On January 13, 2006, Eloy filed its Response to the Arizona Corporation Commission
16 Staff's Late Filed Exhibit.

17 16. On January 25, 2006, Eloy filed its Notice of Filing Late-Filed Exhibit.

18 **Water System**

19 17. Staff stated that Arizona Water's Casa Grande system has 14 wells producing 15,240
20 gallons per minute ("GPM"), 14.192 million gallons of storage capacity, and a distribution system
21 serving 17,707 service connections as of June 2005. Staff stated that based on its existing well
22 production and storage capacities, the Casa Grande system can serve approximately 20,600 service
23 connections. Staff stated that the total customers to be served in the expansion area at total build out
24 are anticipated to be 4,920. Staff stated that based on Arizona Water's historical growth rates, its
25 existing Casa Grande service area could grow to approximately 25,500 connections at the end of five
26 years. Arizona Water indicated in its application that it would be at least five years before it would
27 serve its first customer in Parcels 4, 5, 6, 7 and 8 and predicts 80 additional connections for the
28 proposed CC&N extension areas at the end of five years, resulting in a projected total customer base

1 of approximately 25,900 in the Casa Grande system at the end of five years.

2 18. Staff concluded that the existing Casa Grande system will have adequate production
3 and storage capacity to serve the existing and proposed CC&N extension areas within a conventional
4 five year planning period and can reasonably be expected to develop additional production and
5 storage as required in the future.

6 19. Arizona Water plans to finance the required utility facilities through advances in aid of
7 construction, which generally take the form of Main Extension Agreements ("MXAs"). MXAs
8 between water utilities and private parties are governed by A.A.C. R14-2-406, and result in developer
9 construction of the facilities, conveyance of the facilities to the utility company, and a refund by the
10 water utility of ten percent of the annual revenue associated with the line to the developer for a period
11 of ten years. Staff recommended that Arizona Water file with Docket Control, as a compliance item
12 in this docket, a Notice of Filing indicating that Arizona Water has submitted for Staff's review and
13 approval a copy of the fully executed MXAs for water facilities to each parcel within the extension
14 area, except for Parcel 1¹, within two years of a decision in this case.

15 20. Arizona Water plans to provide water utility service to the extension area under its
16 authorized rates and charges.

17 21. Staff stated that the Arizona Department of Environmental Quality ("ADEQ")
18 regulates Arizona Water's Casa Grande water system under ADEQ Public Water System I.D. #11-
19 009. Staff further stated that based on compliance information submitted by Arizona Water, the
20 system has no deficiencies and ADEQ has determined that this system is currently delivering water
21 that meets ADEQ water quality standards.

22 22. Arizona Water is located within the Pinal Active Management Area ("AMA"), one of
23 five AMAs in Arizona designed to address water supply needs of each area and designated as such by
24 the Arizona Department of Water Resources ("ADWR"). Staff stated that the goal of the Pinal AMA
25 is to allow the development of non-irrigation water uses, extend the life of the agricultural economy
26 for as long as feasible, and preserve water supplies for future non-agricultural uses. Arizona Water is

27 ¹ Parcel 1 was thought by Arizona Water to be within the existing CC&N, and service to this parcel has been in effect
28 since 1962. Through Staff's review of other matters in and around Casa Grande, Applicant learned that this parcel was
not within its CC&N service area.

1 subject to the reporting and conservation rules of ADWR, and Staff stated that ADWR has indicated
2 that Arizona Water is in compliance with the Pinal AMA requirements.

3 23. Staff recommended that Arizona Water be required to file with Docket Control, as a
4 compliance item in this docket, a copy of the developers' Certificates of Assured Water Supply,
5 stating that there is adequate water supply, where applicable or when required by statute, within two
6 years of the effective date of the Decision in this matter.

7 24. Rules established by the United States Environmental Protection Agency ("EPA")
8 require the maximum contaminant level ("MCL") for arsenic in potable water to be reduced from 50
9 parts per billion ("ppb") to 10 ppb, effective January 23, 2006.

10 25. Arsenic levels for the Casa Grande system's wells range from 7 ppb to 45 ppb. Staff
11 stated that Arizona Water is developing a treatment plan to comply with the new arsenic standard.
12 The Commission approved an accounting order authorizing the deferral of certain costs and expenses
13 related to arsenic treatment that Arizona Water expects to incur for its Western Group, which
14 includes its Casa Grande system and the extension area, in Decision No. 67518 (January 20, 2005).
15 An accounting order is a rate-making mechanism whereby a regulatory commission provides specific
16 deferral authorization to treat costs in a manner that differs from generally accepted accounting
17 principles. Such a deferral mechanism is permitted, pursuant to an authorized accounting order,
18 under National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of
19 Accounts ("USOA") guidelines.

20 26. Staff stated that a Curtailment Plan Tariff ("CPT") is an effective tool to allow a water
21 company to manage resources during periods of water shortages due to pump breakdowns, droughts,
22 or other unforeseeable events. Arizona Water has an approved CPT for "All Service Areas" pursuant
23 to Decision No. 66235 (July 23, 2004).

24 **Staff's Recommendations**

25 27. Staff recommended that the Commission approve Arizona Water's application for
26 extension of its existing CC&N to provide water service in Pinal County subject to Arizona Water's
27 compliance with the following conditions:

28 (a) That AWC file with Docket Control an amended legal description excluding

1 the Parcels that are within the corporate city limits of the City of Eloy, specifically Parcels 2
2 and 8, prior to the hearing in this matter.

3 (b) That AWC charge its authorized rates and charges in the extension area.

4 (c) That AWC file with Docket Control, as a compliance item in this docket, a
5 Notice of Filing indicating AWC has submitted for Staff's review and approval, a copy of the
6 fully executed main extension agreements for water facilities for each parcel within the
7 extension area, except for Parcel 1, within two years of the Decision in this case.

8 (d) That AWC file with Docket Control, as a compliance item in this docket, a
9 copy of the Arizona Department of Environmental Quality Approval to Construct ("ATC")
10 for the facilities needed to serve each of the Parcels within the requested areas, except for
11 Parcel 1, within two years of the Decision in this case.

12 (e) That AWC file with Docket Control, as a compliance item in this docket, a
13 copy of the developers' Certificates of Assured Water Supply for each of the Parcels within
14 the requested areas, except for Parcel 1, stating that there is adequate water supply, where
15 applicable or when required by statute, within two years of the Decision in this case.

16 (f) That the Commission's Decision granting the requested CC&N extension be
17 considered null and void if AWC fails to meet conditions (c), (d), and (e) listed above within
18 the time specified.

19 **Parcel 1**

20 28. Arizona Water currently serves approximately 200 existing service connections in
21 Parcel 1 and is projecting to increase to 230 connections within five years. At build out, this parcel
22 could have approximately 1,000 connections.

23 29. Consistent with Staff's recommendation, we believe it is in the public interest to grant
24 Arizona Water's application for CC&N extension to Parcel 1.

25 **Parcel 2**

26 30. As stated above, at hearing, Arizona Water orally amended its application to remove
27 Parcel 2, doing so at the request of the landowner of Parcel 2.
28

1 **Parcel 3**

2 31. Parcel 3 is contiguous to Arizona Water's existing CC&N located to the west of Eloy
3 and south of Casa Grande and contains approximately 618 acres. Although at build out, Applicant
4 anticipates approximately 1,500 customers, Arizona Water anticipates no new customers within the
5 first year for Parcel 3 and only 25 customers within five years.

6 32. Staff recommended inclusion of Parcel 3 in the CC&N extension. Parcel 3 is outside,
7 but contiguous to Eloy's municipal boundary and is located within Eloy's planned development area.
8 Eloy objected to extending Arizona Water's CC&N to Parcel 3. Eloy's main concern appears to be
9 the potential cost to be borne in the future by Eloy and its taxpayers via an eminent domain
10 proceeding if or when Eloy annexes Parcel 3.

11 33. Jacqueline Warren, owner of Parcel 3 with her husband, testified that she asked
12 Arizona Water to expand its certificated area to include her property. She stated that with regard to
13 sewer service, a sewer utility is located near Parcel 3 that could provide service to her parcel. Mrs.
14 Warren testified that at this time, she and her husband farm their land.

15 34. Mrs. Warren testified that she and her husband wish to obtain water utility service
16 prior to marketing their parcel to developers, and to this end they requested service of Arizona Water.
17 Eloy is concerned for the potential cost borne by the taxpayers via the just compensation requirement
18 of eminent domain. Although this concern is reasonable, Parcel 3 is not within Eloy's city limits and
19 Eloy provided no timeframe for when service would be provided.

20 35. Based on the existing request for service and Arizona Water's ability to provide that
21 service, consistent with Staff's recommendation, we believe it is in the public interest to grant
22 Arizona Water's application for CC&N extension to Parcel 3.

23 **Parcels 4, 5, 6, and 7**

24 36. Each of these parcels is located several miles from Arizona Water's existing
25 distribution mains. Parcel 4 consists of approximately 320 acres; Parcel 5 of approximately 300
26 acres; Parcel 6 of approximately 164 acres; and Parcel 7 of approximately 85 acres. Staff stated that
27 water service to these parcels will depend upon construction of other planned developments to bring
28 the water closer to these parcels before their development.

1 37. Staff stated that at build out, Parcel 4 could have about 400 customers; Parcel 5 about
2 200 customers; Parcel 6 about 150 customers; and Parcel 7 about 150 customers.

3 38. Consistent with Staff's recommendation and based upon the requests for service to
4 these parcels, we believe it is in the public interest to grant Arizona Water's application for CC&N
5 extension to Parcels 4, 5, 6, and 7.

6 **Parcel 8**

7 39. This parcel contains approximately 40 acres and is located several miles from Arizona
8 Water's existing distribution mains. Staff stated that water service to this parcel will depend upon
9 construction of other planned developments to bring the water closer to this parcel before its
10 development. Arizona Water stated in its Application that it anticipates no new customers within the
11 first five years and that at build out, Parcel 8 could have about 20 customers. However, at hearing,
12 the owner of Parcel 8 testified that he prefers to begin development as soon as possible.

13 40. Parcel 8 is within Eloy's city limits, and Staff did not recommend inclusion of Parcel 8
14 in Applicant's CC&N extension. Eloy objected to extension of Applicant's CC&N to this parcel.

15 41. Arizona law requires every applicant for a CC&N or CC&N extension to submit
16 evidence to the Commission that the applicant has received consent, franchise or permit from the
17 proper authority prior to being granted the CC&N or CC&N extension. Specifically, Section 40-
18 282(B), Arizona Revised Statutes, requires "[e]very applicant for a certificate [to submit]
19 evidence...to show that the applicant has received the required consent, franchise or permit of the
20 [applicable government authority]." Arizona Water does not have a franchise agreement or other
21 consent to operate within the City of Eloy. Staff stated that the inclusion of Parcel 8 in the CC&N
22 extension as proposed by Arizona Water may create an infringement or encroachment without
23 permission if approved by the Commission. For this reason, Staff requested of Arizona Water, a
24 revised legal description excluding Parcel 8 prior to the hearing.

25 42. In the instant case, Eloy has clearly stated that Arizona Water has no such consent,
26 franchise or permit; and Doug Olson, Water/Wastewater System Manager for the City of Eloy,
27 testified that Eloy would not grant such authority within its city limits as Eloy desires to serve its own
28 constituents within its municipal boundaries. However, there is nothing in the record to show that

1 Eloy has already denied a franchise or other consent to Arizona Water to operate within its municipal
2 boundary.

3 43. Mr. Olson further stated Eloy's concern with having various water companies located
4 within the city limits is that the public interest would be harmed as Eloy would be required to use
5 eminent domain and its associated requirement of compensation, using taxpayer money, to the holder
6 of the interest in the condemned property prior to inclusion in Eloy's water system. Eloy stated that
7 Parcel 8 is surrounded by planned developments that the city is currently working on with developers
8 so that Eloy will be able to serve the parcel by the time any development occurs.

9 44. Derrick Ethington, owner of Parcel 8, testified that he asked Arizona Water to expand
10 its certificated area to include his property. Regarding sewer service, he stated his wish to develop
11 one-acre residential lots that will enable the use of a septic system. Mr. Olsen testified that he does
12 not believe Mr. Ethington will be allowed to have septic tanks pursuant to county code.

13 45. Mr. Ethington further testified that he requires water service to develop his property,
14 that he has a complete plat application pending with Eloy, and that he hopes to develop Parcel 8
15 within the next six months. He testified that he submitted a request for service to Arizona Water
16 because Eloy would be unable to provide water consistent with his desired timeframe for service, and
17 because Eloy's water main was six miles from his property and would be more financially
18 burdensome for him to connect than Arizona Water's water main, which is only one mile from his
19 property. However, Mr. Olsen testified that to his knowledge, and based upon conversation with the
20 Planning and Zoning Director of Eloy, Mr. Ethington has not submitted all of the information
21 required for a preliminary plat application.

22 46. Because the landowner has demonstrated need and requested service and no other
23 provider is available to provide service in a timely manner, and because Eloy has not taken official
24 action to either approve or deny Arizona Water a franchise, we believe granting an Order Preliminary
25 to a CC&N is appropriate for Parcel 8. Staff's Late Filed Exhibit shows other regulated water
26 companies to be located within the City of Eloy's planning area. Eloy pointed out that all of the
27 water companies within the current planning area received their CC&Ns prior to the establishment of
28 Eloy's current boundaries. Nonetheless, Arizona Water has a request for service to this parcel and is

1 ready, willing and able to provide service. An Order Preliminary to a CC&N will give Arizona
2 Water the opportunity to request official action of Eloy regarding a franchise for operation within
3 Eloy's municipal boundary. Based on Mr. Ethington's desired timeframe for development, this is the
4 most equitable result.

5 47. We will therefore require that Arizona Water file, within one year of this Decision, as
6 a compliance item in this docket, evidence that it has obtained a franchise or other consent from Eloy
7 for the purpose of providing water utility service within Parcel 8. If the franchise or other consent to
8 operate within Parcel 8 is not granted by Eloy within one year from the date of this Decision, then the
9 Order Preliminary shall be null and void.

10 48. Because an allowance for the property tax expense of Arizona Water is included in the
11 Company's rates and will be collected from its customers, the Commission seeks assurances from the
12 Company that any taxes collected from ratepayers have been remitted to the appropriate taxing
13 authority. It has come to the Commission's attention that a number of water companies have been
14 unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers,
15 some for as many as twenty years. It is reasonable, therefore, that as a preventative measure Arizona
16 Water annually file, as part of its annual report, an affidavit with the Utilities Division attesting that
17 the company is current in paying its property taxes in Arizona.

18 CONCLUSIONS OF LAW

19 1. Arizona Water is a public service corporation within the meaning of Article XV of the
20 Arizona Constitution and A.R.S. §40-281 *et seq.*

21 2. The Commission has jurisdiction over Arizona Water and the subject matter of the
22 application.

23 3. Notice of the application was provided in accordance with law.

24 4. There is a public need and necessity for water utility service and this requires issuance
25 of an Order Preliminary to the approval of an extension of Arizona Water's CC&N authorizing it to
26 construct, operate and maintain facilities to furnish water service in Parcel 8, described in Exhibit A.

27 5. Arizona Water is a fit and proper entity to receive an Order Preliminary to the
28 extension of its water CC&N to include the service area more fully described in Exhibit A attached

1 water Certificate of Convenience and Necessity, to include the areas described in Exhibit B attached
2 hereto and incorporated herein by reference be, and is hereby approved, subject to the conditions set
3 forth in the following Ordering Paragraphs.

4 IT IS FURTHER ORDERED that Arizona Water Company shall charge its authorized rates
5 and charges in the extension area.

6 IT IS FURTHER ORDERED that the Commission's Decision granting the requested CC&N
7 extension be considered null and void after due process if Arizona Water Company fails to meet the
8 conditions contained in the following three Ordering Paragraphs within the time specified.

9 IT IS FURTHER ORDERED that Arizona Water Company file with Docket Control, as a
10 compliance item in this docket, a Notice of Filing indicating Arizona Water Company has submitted
11 for Staff's review and approval, a copy of the fully executed main extension agreements for water
12 facilities for each parcel within the extension area, except for Parcel 1, within two years of this
13 Decision.

14 IT IS FURTHER ORDERED that Arizona Water Company file with Docket Control, as a
15 compliance item in this docket, a copy of the Arizona Department of Environmental Quality
16 Approval to Construct for the facilities needed to serve each of the Parcels within the requested areas,
17 except for Parcel 1, within two years of this Decision.

18 IT IS FURTHER ORDERED that Arizona Water Company file with Docket Control, as a
19 compliance item in this docket, a copy of the developers' Certificates of Assured Water Supply for
20 each of the Parcels within the requested areas, except for Parcel 1, stating that there is adequate water
21 supply, where applicable or when required by statute, within two years of this Decision.

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that Arizona Water shall annually file as part of its annual
2 report, an affidavit with the Utilities Division attesting that the Company is current in paying its
3 property taxes in Arizona.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6

7 Jeffrey W. Hatch-Miller William J. ...

8 CHAIRMAN COMMISSIONER

9

10 COMMISSIONER COMMISSIONER COMMISSIONER

11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
13 Director of the Arizona Corporation Commission, have
14 hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this 3rd day of March, 2006.

17 Brian C. McNeil

18 BRIAN C. McNEIL
19 EXECUTIVE DIRECTOR

20 DISSENT James ...

21 DISSENT _____

22 AB:mj

1 SERVICE LIST FOR: Arizona Water Company

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27
28

PARCEL EIGHT

The Northeast quarter of the Northeast quarter of Section 20, Township 8 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

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EXHIBIT A

DECISION NO. 68607

PARCEL ONE

Sections 1 and 12 of Township 7 South, Range 4 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona. **Together With:**

Sections 5, 6, 7, and 8 of Township 7 South, Range 5 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona. **Together With:**

The Northeast quarter and the South half of Section 32, Township 6 South, Range 5 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL THREE

All of Section 36, Township 7 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL FOUR

That portion of Lots 1, 2, 3, 4, 5, 6, and 7 and the Southeast quarter of the Northwest quarter and the Southwest quarter of the Northeast quarter and the East half of the Southwest quarter of Section 6, Township 7 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

BEGINNING at the Northeast corner of said Section 6, also being the Northeast corner of said Lot 1;

Thence South 00 Degrees 46 Minutes 20 Seconds East, along the East line of said Lot 1, a distance of 589.31 feet to the existing field location of the North edge of the Florence-Casa Grande Canal;

Thence along said North edge, the following 15 courses and distances;

Thence North 89 Degrees 47 Minutes 23 Seconds West, 403.39 feet;

Thence South 63 Degrees 13 Minutes 34 Seconds West, 119.11 feet;

Thence South 36 Degrees 20 Minutes 31 Seconds West, 586.88 feet;

Thence South 27 Degrees 15 Minutes 22 Seconds West, 233.24 feet.;

Thence South 89 Degrees 56 Minutes 56 Seconds West, 356.22 feet;

Thence South 00 Degrees 54 Minutes 57 Seconds East, 668.72 feet;

Thence South 34 Degrees 10 Minutes 22 Seconds West, 136.77 feet;

Thence South 53 Degrees 59 Minutes 16 Seconds West, 122.25 feet;
 Thence South 69 Degrees 44 Minutes 07 Seconds West, 1217.20 feet;
 Thence South 01 Degrees 03 Minutes 35 Seconds East, 55.06 feet;
 Thence North 89 Degrees 58 Minutes 48 Seconds West, 150.00 feet;
 Thence South 61 Degrees 08 Minutes 49 Seconds West, 150.07 feet;
 Thence South 51 Degrees 09 Minutes 27 Seconds West, 2015.19 feet;
 Thence South 60 Degrees 17 Minutes 26 Seconds West, 190.09 feet;
 Thence South 68 Degrees 41 Minutes 00 Seconds West, 572.72 feet to the West line of said Lot 7;
 Thence North 01 Degrees 17 Minutes 36 Seconds West, 1639.99 feet to the West quarter corner of said Section 6;
 Thence North 00 Degrees 39 Minutes 31 Seconds West, 2651.27 feet to the Northwest corner of said Section 6;
 Thence North 89 Degrees 59 Minutes 58 Seconds East, 2568.10 feet to the North quarter corner of said section 6;
 Thence North 90 Degrees 00 Minutes 00 Seconds East, 2667.57 feet to the Northeast corner of said Section 6 and the POINT OF BEGINNING.

PARCEL FIVE

The West half of the Northeast quarter of Section 27, Township 5 South Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL SIX

The Northwest quarter of Section 3, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL SEVEN

A portion of the Southeast quarter of Section 3, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

Commencing at the East quarter corner of said Section 3, a rebar with aluminum cap;
 Thence South 89 Degrees 52 Minutes 39 Seconds West, along the North line of said Southeast quarter, a distance of 1328.87 feet to the Northeast corner of the West half of the Southeast quarter of said Section 3 and the POINT OF BEGINNING;
 Thence South 00 Degrees 16 Minutes 03 Seconds West, along the East line of said West half, a distance of 1368.45 feet to the North line of a El Paso Natural Gas Easement as described in Docket 556, Page 497, records of Pinal County;
 Thence South 89 Degrees 54 Minutes 46 Seconds West, along said North line, a distance of 1331.05 feet to the West line of said Southeast quarter;
 Thence North 00 Degrees 21 Minutes 34 Seconds East, along said West line, a distance of 1367.65 feet to the North line of said Southeast quarter;
 Thence North 89 Degrees 52 Minutes 39 Seconds East, along said North line, a distance of 1328.87 feet to the POINT OF BEGINNING. **Together With:**

A portion of the Southeast quarter of Section 3, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

BEGINNING at the East quarter corner of said Section 3, a rebar with aluminum cap;
Thence South 00 Degrees 10 Minutes 30 Seconds West, along the East line of the Southeast quarter of Section 3, a distance of 1394.23 feet to the North line of a El Paso Natural Gas Easement, as described in Docket 556, Page 497, records of Pinal County;
Thence South 89 Degrees 57 Minutes 44 Seconds West, along said North line, a distance of 1331.10 feet to the West line of the East half of said Southeast quarter of said Section 3;
Thence North 00 Degrees 16 Minutes 03 Seconds East, along said West line, a distance of 1392.26 feet to the Northwest corner of said East half, and the North line of said Southeast quarter;
Thence North 89 Degrees 52 Minutes 37 Seconds East, along said North line, a distance of 1328.86 feet to the POINT OF BEGINNING.