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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

2006 JUN 16 P 3:39

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

Date: June 16, 2006

RE: STAFF REPORT FOR GREEN ACRES SEWER, L.L.C AND GREEN ACRES
WATER, L.L.C - APPLICATIONS FOR CERTIFICATES OF CONVENIENCE
AND NECESSITY FOR WASTEWATER AND WATER SERVICES
DOCKET NOS. SW-20431A-05-0840 AND W-20430A-05-0839

Attached is the Staff Report for Green Acres Sewer, L.L.C and Green Acres Water, L.L.C applications for Certificates of Convenience and Necessity for wastewater and water services. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

Arizona Corporation Commission

DOCKETED

JUN 16 2006

DOCKETED BY	BB
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Service List for: Green Acres Sewer, L.L.C and Green Acres Water, L.L.C
Docket Nos. SW-20431A-05-0840 and W-20430A-05-0839

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

GREEN ACRES SEWER, L.L.C
AND
GREEN ACRES WATER, L.L.C

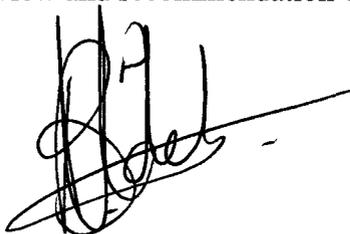
DOCKET NOS. SW-20431A-05-0840
AND
W-20430A-05-0839

APPLICATIONS FOR CERTIFICATES OF
CONVENIENCE AND NECESSITY

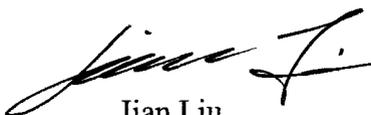
JUNE 16, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Green Acres Sewer, L.L.C and Green Acres Water, L.L.C (Docket Nos. SW-20431A-05-0840 and W-20430A-05-0839) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Companies' application. Jian Liu was responsible for the engineering and technical analysis. Charles R. Myhlhousen was responsible for the review and recommendation on rate base and usage rates.



Blessing Chukwu
Executive Consultant III



Jian Liu
Utilities Engineer



Charles R. Myhlhousen
Public Utilities Analyst III

EXECUTIVE SUMMARY
GREEN ACRES SEWER, L.L.C AND
GREEN ACRES WATER, L.L.C
DOCKET NOS. SW-20431A-05-0840 and W-20430A-05-0839

On November 15, 2005, Green Acres Sewer, L.L.C (“GAS” or “Wastewater Company”) and Green Acres Water, L.L.C (“GAW” or “Water Company”) collectively referred to as (“The Utilities”) filed applications with the Arizona Corporation Commission (“ACC” or “Commission”) for Certificates of Convenience and Necessity (“CC&N”) to provide wastewater and water services in portions of Maricopa County, Arizona. On May 8, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of Arizona Administrative Code.

GAS and GAW are Limited Liability Companies, in good standing with the ACC Corporations Division, and formed to provide wastewater and water utility services to all of the residents and businesses in a portion of Maricopa County (located between the Town of Buckeye and the Town of Gila Bend along Highway 85) and are seeking CC&Ns for these areas. At the end of the first five years of operation, GAS and GAW expect to serve approximately 5,000 residential customers, 20 commercial customers and one school customer. Mr. Steve S. Rohson, one of the Trustees of the Steven and Kimberly Roberson Trust (which owns the Utilities), has an interest in several Public Utility Companies in Arizona.

Staff has reviewed the proposed total plant-in-service along with the Utilities’ Conceptual Water and Wastewater System Studies and found the plant facilities and cost to be reasonable and appropriate. However, approval of the CC&N applications does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Water Service CC&N

Staff recommends the Commission issue an Order Preliminary to GAW for a CC&N within portions of Maricopa County, Arizona, as amended, to provide water service, subject to compliance with the following conditions:

1. That the Commission find that the fair value rate base of GAW’s property devoted to water service is \$28,108,142.
2. That the Commission approve Staff’s rates as shown on Water Schedule CRM-W-5 in the attached Rate Analyst Report. In addition to collection of its regular rates, GAW may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.

4. That the Commission require GAW to notify Docket Control, as a compliance item in this docket, within 15 days of providing service to its first customer.
5. That the Commission require GAW to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require GAW to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
7. That the Commission require GAW to use the depreciation rates recommended by Staff.
8. That the Commission require GAW's charge for minimum deposit be as per A.A.C. R14-2-403(B)(7).
9. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, for review and approval by the Director of the Utilities Division, a curtailment tariff within 90 days after the effective date of any decision and order pursuant to this application. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.
10. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, for Staff's review, a drinking water design report for the proposed water system which identifies well sites, the location of distribution and transmission mains and construction phasing of the water treatment plant no later than 3 years after the effective date of the order granting the Order Preliminary.
11. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, copies of the ATC for phase 1 of this development, within 3 years of the effective date of the order granting the Order Preliminary.
12. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, ADWR's Physical Availability Determination demonstrating the availability of adequate water for the requested area, within 3 years after the effective date of the order granting the Order Preliminary.
13. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.
14. That after GAW complies with above requirements 10, 11, 12 and 13, GAW shall make a filing stating so. Within 30 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing that confirms GAW's compliance with items 10, 11, 12 and 13.

Wastewater Service CC&N

Staff recommends the Commission issue an Order Preliminary to GAS for a CC&N within portions of Maricopa County, Arizona, as amended, to provide water service, subject to compliance with the following conditions:

1. That the Commission find that the fair value rate base of GAS' property devoted to wastewater service is \$12,741,211.
2. That the Commission approve Staff's rates as shown on Wastewater Schedule CRM-WW-5 in the attached Rate Analyst Report. In addition to collection of its regular rates, GAS may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require GAS to notify Docket Control, as a compliance item in this docket, within 15 days of providing service to its first customer.
5. That the Commission require GAS to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require GAS to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require GAS to use the depreciation rates recommended by Staff.
8. That the Commission require GAS' charge for minimum deposit be as per A.A.C. R14-2-603(B)(7) and (8).
9. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, copies of the ATC for phase 1 of the development within 3 years of the effective date of the order granting the Order Preliminary.
10. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, a copy of the Section 208 Plan Amendment for the whole CC&N within 3 years after the decision granting the Order Preliminary
11. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, a copy of the APP for Phase I of this development within 3 years of the decision granting the Order Preliminary.

12. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.
13. That after GAS complies with above requirements 9, 10, 11 and 12, GAS shall make a filing stating so. Within 30 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing that confirms GAS's compliance with items 9, 10, 11 and 12.

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Introduction

On November 15, 2005, Green Acres Sewer, L.L.C (“GAS” or “Wastewater Company”) and Green Acres Water, L.L.C (“GAW” or “Water Company”) collectively referred to as (“The Utilities”) filed applications with the Arizona Corporation Commission (“ACC” or “Commission”) for Certificates of Convenience and Necessity (“CC&N”) to provide wastewater and water services in portions of Maricopa County, Arizona.

On December 12, 2005, the ACC Utilities Division (“Staff”) filed an Insufficiency Letter, indicating that the Utilities’ applications did not meet the sufficiency requirements of Arizona Administrative Code (“A.A.C.”) R14-2-402(C) and R14-2-602(B). A copy of the Insufficiency Letter was sent to the Utilities via U.S mail. In the letter, Staff listed the deficiencies to be cured for administrative purposes.

On December 25, 2005, Staff filed a Motion to Consolidate the above mentioned matters stating that the matters are substantially related and no parties’ rights will be prejudiced by the Motion.

On February 7, 2006, March 7, 2006, April 4, 2006, and April 11, 2006, the Utilities provided additional documentation to support their relief requested.

On March 2, 2006, a procedural order was issued which consolidated the above mentioned applications for purposes of hearing.

On May 8, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

Background

GAS and GAW are Limited Liability Companies, in good standing with the ACC Corporation Division, and formed to provide wastewater and water utility services to all of the residents and businesses in a portion of Maricopa County (located between the Town of Buckeye and the Town of Gila Bend along Highway 85) and are seeking CC&Ns for these areas.

At the end of the first five years of operation, GAS and GAW expect to serve approximately 5,000 residential customers, 20 commercial customers and one school customer.

Mr. Steve S. Robson, one of the Trustees of the Steven and Kimberly Roberson Trust (which owns the Utilities), has an interest in the following public utilities in Arizona: Lago Del Oro Water Company, Pima Utility Water Company, Pima Utility Sewer Company, Saddlebrook Utility Company, Ridgeview Utility Company, Quail Creek Utility Company, Picacho Water Company, Picacho Sewer Company, Santa Rosa Water Company, and Santa Rosa Wastewater Company.

Request for Service

The Utilities filed with the applications the request for service the Utilities received from Coldwell Banker Commercial Metro, LLC, Scott Communities, Binu Verma Profit Sharing Trust, BMT Trust, Bendalin & Smelkinson, LLC, The Lawler Family Trust and the Arizona State Land Department.

The Proposed Wastewater System

GAS is proposing to construct a 1.25 million gallon per day ("MGD") wastewater treatment plant ("WWTP") including gravity sewer mains, lift station, and force main to serve approximately 5,000 customers during the first 5 years of operation¹.

Cost Analysis

GAS submitted the following estimated plant-in-service amounts for the first five years of operation².

Year 1:	\$6,970,000
Year 2:	\$7,648,750
Year 3:	\$16,258,500
Year 4:	\$17,162,250
Year 5:	\$18,066,000

Staff has reviewed the proposed plant-in-service along with GAS's Conceptual Sewer System Study and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

GAS does not have any plant facilities at this time; therefore, an ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department ("MCESD") compliance status is not applicable at this time.

The Wastewater Company has not received its ADEQ or MCESD Certificate of Approval to Construct ("ATC") for construction of the proposed wastewater facilities. Staff recommends that GAS file with Docket Control as a compliance item in this docket, a copy of the ATC for

¹ Based on information contained in the Company's Conceptual Sewer System Study dated April 6, 2006.

² See Company's Revised Exhibit B Attachment CS-3.

Request for Service

The Utilities filed with the applications the request for service the Utilities received from Coldwell Banker Commercial Metro, LLC, Scott Communities, Binu Verma Profit Sharing Trust, BMT Trust, Bendalin & Smelkinson, LLC, The Lawler Family Trust and the Arizona State Land Department.

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¹ Based on information contained in the Company's Conceptual Sewer System Study dated April 6, 2006.

² See Company's Revised Exhibit B Attachment CS-3.

phase 1 of the development within 3 years of the effective date of the order granting the Order Preliminary

Since an Aquifer Protection Permit (“APP”) and the Section 208 Plan Amendment (“Amendment”) represent fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that GAS file with Docket Control as a compliance item in this docket, a copy of the Section 208 Plan Amendment for the whole CC&N within 3 years after a decision granting the Order Preliminary. In addition, the APP for Phase I of this development should be submitted in the same timeframe.

Wastewater Depreciation Rates

The Staff’s typical and customary Wastewater Depreciation Rates are presented in Table A of the attached Engineering Report and it is recommended that GAS use these depreciation rates by individual National Association of Regulatory Utility Association (“NARUC”) category as delineated in Table A of the attached Engineering Report.

The Proposed Water System

GAW is proposing to construct a water system consisting of groundwater wells. GAW will start service with a minimum of 2 wells, (each well will produce at approximately 1,500 gallons per minute (“GPM”)), 2.5 million gallons of storage, booster systems, a water treatment system and a potable water distribution system to serve approximately 5,000 customers during the first five years of operation.³

Staff concludes that GAW’s proposed water systems will have adequate infrastructure to serve the requested areas.

Cost Analysis

GAW submitted the following estimated plant-in-service amounts for the first five years of operation.⁴

Year 1:	\$13,504,547
Year 2:	\$14,258,776
Year 3:	\$23,100,768
Year 4:	\$23,938,337
Year 5:	\$32,769,906

Staff has reviewed the proposed plant-in-service along with GAW’s Conceptual Water System Study and found the plant facilities and cost to be reasonable and appropriate. However,

³ Based on information contained in the Company’s Conceptual Water System Study dated April 6, 2006.

⁴ See Company’s Revised Exhibit B Attachment CW-3.

approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Staff recommends that GAW file with Docket Control, for Staff's review, a drinking water design report for the proposed water system which identifies well sites, the location of distribution and transmission mains and construction phasing of the water treatment plant no later than 3 years after the effective date of the order granting the Order Preliminary.

Finance of Utility Facilities

According to the applications, the Utilities intend to finance the required utility facilities through a combination of shareholder equity, Retained Earning, Contributions In Aid of Construction ("CIAC"), and advances in aid of construction. Advances in aid of construction are often in the form of Main Extension Agreements ("MXAs"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water and wastewater utilities and private parties are established by A.A.C. R14-2-406 and 606. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

ADEQ Compliance

GAW does not have any plant facilities at this time; therefore, an ADEQ or its formally delegated agent, MCESD compliance status is not applicable at this time.

The Water Company has not received its ADEQ or MCESD Certificate of Approval to Construct ("ATC") for construction of the water facilities. Staff recommends that the Water Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for phase 1 of the development, within 3 years of the effective date of the order granting the Order Preliminary.

Arizona Department of Water Resources ("ADWR") Compliance

GAW will not be located in an Active Management Area ("AMA") and will not be subject to any AMA reporting and conservation requirements.

Staff recommends that the Water Company file with Docket Control, as a compliance item in this docket, ADWR's Physical Availability Determination demonstrating the availability of adequate water for the requested area within 3 years after the effective date of the order granting the Order Preliminary.

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 effective January 23, 2006.

The arsenic levels for the developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL, the ATC will address this issue.

Curtailment Plan 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.

Staff recommends that the Water Company file with Docket Control, as a compliance item in this docket, for review and approval by the Director of the Utilities Division, a curtailment tariff within 90 days after the effective date of any decision and order pursuant to this application. Staff also recommends that the tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.

Water Depreciation Rates

The Staff's typical and customary Water Depreciation Rates are presented in Table A of the attached Engineering Report and it is recommended that the Water Company use these depreciation rates by individual NARUC category as delineated in Table A of the attached Engineering Report.

Fair Value Rate Base

Consistent with Commission rules, the Utilities' applications included the required five-year projections for plant values, operating revenues, operating expenses, and number of customers. Projections and assumptions are necessary to establish a fair value rate base and initial rates due to the lack of historical information. Since this is a new CC&N, original cost rate base is the same as fair value rate base. Staff reviewed the Utilities' projections and found them generally reasonable. Staff reviewed Plant in Service at the end of the fifth year and found them to be generally reasonable. See Schedules CRM-W-2 and CRM-WW-2 in the attached Rate Analyst Report.

Staff reviewed the Utilities' accumulated depreciation at the end of the fifth year and concurs with the Utilities. See Schedules CRM-W-3 and CRM-WW-3 in the attached Rate Analyst Report.

Staff reviewed Advances in Aid of Construction and made allowances for its payback at a rate of 10 percent of the annual revenue generated on the system. See Schedules CRM-W-4 and CRM-WW-4 in the attached Rate Analyst Report.

Staff determined the projected rate base for the water plant in service to be \$28,108,142 and for the wastewater plant in service to be \$12,741,211 at the end of the five years. See Schedules CRM-W-1 and CRM-WW-1 in the attached Rate Analyst Report.

Staff recommends that the Utilities be required to use the depreciation rates for the Water Company and Wastewater Company recommended in the Staff Engineering Report.

Equity and Liabilities

Staff reviewed the Utilities' proposed equity and liabilities in the fifth year of operation for the water plant and the wastewater plant. Staff recommends approval of the Utilities' capital structure. See Schedules CRM-W-6 and CRM-WW-6 in the attached Rate Analyst Report.

Revenue and Expenses

As justification for the initial rates, the Utilities have estimated their revenue and expenses. Staff has reviewed these estimates and found them to be reasonable. Limited Liability Companies have the option of filing as a partnership with no income tax expense. The projected income statements are depicted at Schedules CRM-W-1 and CRM-WW-1 in the attached Rate Analyst Report.

Rate Design

The Utilities' projected revenue is derived primarily from the residential, commercial, school, and irrigation class customers. Staff has reviewed the estimates and found them to be reasonable.

To promote conservation in the use of water, Staff has been recommending an inverted three-tiered rate structure in rate cases and CC&N cases. The Company has proposed a three-tiered rate design. Staff reviewed the Company's water minimum monthly flat charges and concurs with the Company's proposed minimum monthly flat charges. Staff recommends changes in the tiers of the residential 5/8 x 3/4 inch meter and the Commodity rates for all meter sizes to better promote conservation in the use of water.

Staff concurs with GAW's meter and service line installation charges except the charge for the 3/4 inch meter size. Staff recommends a \$600 charge for this meter size.

The wastewater rates requested by GAS are a monthly fixed fee. Staff concurs with the Company on its proposed monthly fees.

Staff recommends rates for treated Effluent different from the Company proposed rates as being reasonable and normal. See schedule CRM-WW-5 in the attached Rate Analyst Report.

Staff recommends that the Utilities' proposed Non-Sufficient Funds ("NSF") charge be reduced to \$25.00 to more closely reflect what most banks charge. Main extension and additional facilities agreement and collection of related taxes are addressed separately in the administrative code and should not be part of the tariff. The other service charges proposed were found reasonable and should be adopted for the Utilities' initial rates. See Schedules CRM-W-5 and CRM-WW-5 in the attached Rate Analyst Report.

Staff recommends the approval of its rates, and charges as per Water and Wastewater Schedules CRM-W-5 and CRM-WW-5 of the attached Rate Analyst Report and as supported by the Arizona Administrative Code, Article 4, Water Utilities and Article 6, Sewer Utilities and should be adopted by the Commission.

Staff further recommends that the Utilities be required to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.

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.

Staff recommends that the Utilities be required to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.

Recommendations

Water Service CC&N

Staff recommends the Commission issue an Order Preliminary to GAW for a CC&N within portions of Maricopa County, Arizona, as amended, to provide water service, subject to compliance with the following conditions:

1. That the Commission find that the fair value rate base of GAW's property devoted to water service is \$28,108,142.

2. That the Commission approve Staff's rates as shown on Water Schedule CRM-W-5 in the attached Rate Analyst Report. In addition to collection of its regular rates, GAW may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require GAW to notify Docket Control, as a compliance item in this docket, within 15 days of providing service to its first customer.
5. That the Commission require GAW to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require GAW to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
7. That the Commission require GAW to use the depreciation rates recommended by Staff.
8. That the Commission require GAW's charge for minimum deposit be as per A.A.C. R14-2-403(B)(7).
9. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, for review and approval by the Director of the Utilities Division, a curtailment tariff within 90 days after the effective date of any decision and order pursuant to this application. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.
10. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, for Staff's review, a drinking water design report for the proposed water system which identifies well sites, the location of distribution and transmission mains and construction phasing of the water treatment plant no later than 3 years after the effective date of the order granting the Order Preliminary.
11. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, copies of the ATC for phase 1 of this development, within 3 years of the effective date of the order granting the Order Preliminary.
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13. That the Commission require GAW to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.
14. That after GAW complies with above requirements 10, 11, 12 and 13, GAW shall make a filing stating so. Within 30 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing that confirms GAW's compliance with items 10, 11, 12 and 13.

Wastewater Service CC&N

Staff recommends the Commission issue an Order Preliminary to GAS for a CC&N within portions of Maricopa County, Arizona, as amended, to provide water service, subject to compliance with the following conditions:

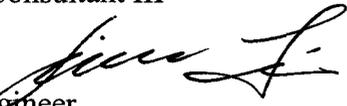
1. That the Commission find that the fair value rate base of GAS' property devoted to wastewater service is \$12,741,211.
2. That the Commission approve Staff's rates as shown on Wastewater Schedule CRM-WW-5 in the attached Rate Analyst Report. In addition to collection of its regular rates, GAS may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require GAS to notify Docket Control, as a compliance item in this docket, within 15 days of providing service to its first customer.
5. That the Commission require GAS to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require GAS to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require GAS to use the depreciation rates recommended by Staff.
8. That the Commission require GAS' charge for minimum deposit be as per A.A.C. R14-2-603(B)(7) and (8).
9. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, copies of the ATC for phase 1 of the development within 3 years of the effective date of the order granting the Order Preliminary.

10. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, a copy of the Section 208 Plan Amendment for the whole CC&N within 3 years after the decision granting the Order Preliminary
11. .That the Commission require GAS to file with Docket Control, as a compliance item in this docket, a copy of the APP for Phase I of this development within 3 years of the decision granting the Order Preliminary.
12. That the Commission require GAS to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.
13. That after GAS complies with above requirements 9, 10, 11 and 12, GAS shall make a filing stating so. Within 30 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing that confirms GAS's compliance with items 9, 10, 11 and 12.

MEMORANDUM

DATE: May 25, 2006

TO: Blessing Chukwu
Executive Consultant III

FROM: Jian W. Liu 
Utilities Engineer

RE: Green Acres Sewer, L.L.C.
Docket No. W-20431A-05-0840 (CC&N – Wastewater)

Introduction

Green Acres Sewer, L.L.C. ("Green Acres" or "Company") has submitted a Certificate of Convenience and Necessity ("CC&N") application to provide sewer service to approximately 3,300 acres in an unincorporated area of Maricopa County located approximately half-way between the Town of Buckeye and the Town of Gila Bend along Highway 85.

Company's Proposed Wastewater Systems

The Company is proposing to construct a 1.25 million gallon per day ("MGD") wastewater treatment plant ("WWTP") including gravity sewer mains, lift station, and force main to serve approximately 5,000 customers during the first 5 years of operation.¹

Cost Analysis

The Company submitted the following estimated plant-in-service amounts for the first five years of operation.²

Year 1:	\$ 6,970,000
Year 2:	\$ 7,648,750
Year 3:	\$16,258,500
Year 4:	\$17,162,250
Year 5:	\$18,066,000

Staff has reviewed the proposed plant-in-service along with the Company's Conceptual Sewer System Study and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service

¹ Based on information contained in the Company's Conceptual Sewer System Study dated April 6, 2006.

² See Company's Revised Exhibit B Attachment CS-3.

was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

Compliance Status

The Company does not have any plant facilities at this time; therefore, an ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department (“MCESD”) compliance status is not applicable at this time.

Approval to Construct

The Company has not received its ADEQ or MCESD Certificate of Approval to Construct (“ATC”) for construction of the proposed wastewater facilities. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for phase 1 of the development within 3 years of the effective date of the order granting this application.

Aquifer Protection Permit and Section 208 Plan Amendment

Since an Aquifer Protection Permit (“APP”) and the Section 208 Plan Amendment (“Amendment”) represent fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that the Company file with Docket Control a copy of the APP for Phase I of this development and the Section 208 Plan Amendment for the entire CC&N requested within 3 years after a decision is issued in this proceeding.

Wastewater Depreciation Rates

The Staff’s typical and customary Wastewater Depreciation Rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual National Association of Regulatory Utility Commissioners (“NARUC”) category as delineated in the attached Table A.

Summary

Conclusions

- A. Staff concludes that the Company’s proposed wastewater systems will have adequate infrastructure to serve the requested areas.
- B. Staff concludes that the proposed plant facilities and cost are reasonable and appropriate. However, no "used and useful" determination of this plant-in-service was made, and no

particular future treatment should be inferred for rate making or rate base purposes in the future.

- C. The Company does not have any plant facilities at this time; therefore, an ADEQ or MCESD compliance status is not applicable at this time.

Recommendations

1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the ATC for phase 1 of the development within 3 years of the effective date of the order granting this application.
2. Staff recommends that the Company file with Docket Control a copy of the APP for Phase I of this development and the Section 208 Plan Amendment for the entire CC&N requested within 3 years after a decision is issued in this proceeding.
3. Staff recommends that the Company use the wastewater depreciation rates by individual NARUC category as delineated in the attached Table A.

Table A. Wastewater Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
354	Structures & Improvements	30	3.33
355	Power Generation Equipment	20	5.00
360	Collection Sewers – Force	50	2.0
361	Collection Sewers- Gravity	50	2.0
362	Special Collecting Structures	50	2.0
363	Services to Customers	50	2.0
364	Flow Measuring Devices	10	10.0
365	Flow Measuring Installations	10	10.00
366	Reuse Services	50	2.00
367	Reuse Meters & Meter Installations	12	8.33
370	Receiving Wells	30	3.33
371	Pumping Equipment	8	12.50
374	Reuse Distribution Reservoirs	40	2.50
375	Reuse Transmission & Distribution System	40	2.50
380	Treatment & Disposal Equipment	20	5.0
381	Plant Sewers	20	5.0
382	Outfall Sewer Lines	30	3.33
389	Other Plant & Miscellaneous Equipment	15	6.67
390	Office Furniture & Equipment	15	6.67
390.1	Computers & Software	5	20.0
391	Transportation Equipment	5	20.0
392	Stores Equipment	25	4.0
393	Tools, Shop & Garage Equipment	20	5.0
394	Laboratory Equipment	10	10.0
395	Power Operated Equipment	20	5.0
396	Communication Equipment	10	10.0
397	Miscellaneous Equipment	10	10.0

MEMORANDUM

DATE: May 25, 2006

TO: Blessing Chukwu
Executive Consultant III

FROM: Jian W. Liu 
Utilities Engineer

RE: Green Acres Water, L.L.C.
Docket No. W-20430A-05-0839 (CC&N – Water)

Introduction

Green Acres Water, L.L.C. (“Green Acres” or “Company”) has submitted a Certificate of Convenience and Necessity (“CC&N”) application to provide water service to approximately 3,300 acres in an unincorporated area of Maricopa County located approximately half-way between the Town of Buckeye and the Town of Gila Bend along Highway 85.

Company’s Proposed Water Systems

The Company is proposing to construct a water system consisting of groundwater wells (Company will start service with minimum of 2 wells, each well will produce approximately 1,500 gallons per minute (“GPM”)), 2.5 million gallons of storage, booster systems, a water treatment system and a potable water distribution system to serve approximately 5,000 customers during the first 5 years of operation.¹

Staff concludes that the Company’s proposed water systems will have adequate infrastructure to serve the requested areas.

Cost Analysis

The Company submitted the following estimated plant-in-service amounts for the first five years of operation.²

Year 1:	\$13,504,547
Year 2:	\$14,258,776
Year 3:	\$23,100,768
Year 4:	\$23,938,337
Year 5:	\$32,769,906

¹ Based on information contained in the Company’s Conceptual Water System Study dated April 6, 2006.

² See Company’s Revised Exhibit B Attachment CW-3

Staff has reviewed the proposed plant-in-service along with the Company's conceptual water system study and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Staff recommends that the Company submit a drinking water design report for the proposed water system which identifies well sites, the location of distribution and transmission mains and construction phasing of the water treatment plant no later than 3 years after the effective date of the order granting this application.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

The Company does not have any plant facilities at this time; therefore, an ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department ("MCESD") compliance status is not applicable at this time.

Approval to Construct

The Company has not received its ADEQ or MCESD Certificate of Approval to Construct ("ATC") for construction of the proposed water facilities. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the ATC for phase 1 of the project within 24 months of the effective date of the order granting this application.

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 arsenic levels for the developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL, the ATC will address this issue.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

The Company will not be located in an Active Management Area ("AMA") and will not be subject to any AMA reporting and conservation requirements.

Letter of Adequate Water Supply

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of ADWR's Physical Availability Determination demonstrating the availability of adequate water for the requested areas within 3 years of the effective date of the order granting this application.

Water Depreciation Rates

The Staff's typical and customary Water Depreciation Rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated in the attached Table A.

Summary

Conclusions

- A. Staff concludes that the Company's proposed water systems will have adequate infrastructure to serve the requested areas.
- B. Staff concludes that the proposed plant facilities and cost are reasonable and appropriate. However, no "used and useful" determination of this plant-in-service was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.
- C. The Company does not have any plant facilities at this time; therefore, an ADEQ or MCESD compliance status is not applicable at this time.
- D. The arsenic levels for the developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL, the ATC will address this issue.
- E. The Company will not be located in an AMA and will not be subject to any AMA reporting and conservation requirements.

Recommendations

- 1. Staff recommends that the Company submit a drinking water design report for the proposed water system which identifies well sites, the location of distribution and transmission mains and construction phasing of the water treatment plant no later than 3 years after the effective date of the order granting this application.
- 2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the ATC for phase 1 of the development within 3 years of the effective date of the order granting this application.

3. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of ADWR's Physical Availability Determination demonstrating the availability of adequate water for the requested areas within 3 years of the effective date of the order granting this application.
4. Staff recommends that the Company use the water depreciation rates by individual NARUC category as delineated in the attached Table A.

Table A. Water Depreciation Rates

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III Utilities Division

FROM: Charles R. Myhlousen *CRM*
Public Utilities Analyst III – Utilities Division

DATE: MAY 24, 2006

RE: GREEN ACRES WATER, L.L.C. AND GREEN ACRES SEWER, L.L.C.
APPLICATIONS FOR NEW CERTIFICATES OF CONVENIENCE AND
NECESSITY (DOCKET NOS. W-20430A-05-0839 AND SW-20431A-05-0840)

Introduction

On November 15, 2005, Green Acres Water, L.L.C. and Green Acres Sewer L.L.C. (“Company”) submitted applications to the Arizona Corporation Commission (“Commission”) for Certificates of Convenience and Necessity (“CC&N”) to provide public utility water and public utility wastewater services in Maricopa County, Arizona. The water application indicates that there are presently no customers receiving water service in the area of the requested CC&N. At the end of five years the water Company is projecting to be servicing 4,400 residential customers, 20 commercial customers and one school customer. The wastewater application indicates that there are presently no customers receiving service in the area of the requested CC&N. At the end of five years the wastewater Company is projecting to be servicing 5,000 residential customers, 20 commercial customers, one school customer and one irrigation customer.

Fair Value Rate Base

Consistent with Commission rules, the Company’s filings included the required five-year projections for plant values, operating revenues, operating expenses, and the number of customers. Projections and assumptions are necessary to establish a fair value rate of return and initial rates due to the lack of historical information. In this proceeding, original cost rate base is the fair value rate base. Staff reviewed the Company’s projections and found them generally reasonable. Staff reviewed Plant in Service at the end of the fifth year and found them to be generally reasonable. See Schedules CRM-W-2 and CRM-WW-2.

Staff reviewed the Company’s accumulated depreciation at the end of the fifth year and concurs with the Company. See Schedules CRM-W-3 and CRM-WW-3.

Staff reviewed Advances in Aid of Construction and made allowances for its payback at a rate of 10 percent of the annual revenue generated on the system. See Schedules CRM-W-4 and CRM-WW-4.

Staff determined the projected rate base for the water plant in service to be \$28,108,142 and for the wastewater plant in service to be \$12,741,211 at the end of the five years. Schedules CRM-W-1 and CRM-WW-1.

Staff recommends that the Company be required to use the depreciation rates for the water company and wastewater company recommended in the Staff Engineering Report.

Equity and Liabilities

Staff reviewed the Company's proposed equity and liabilities in the fifth year of operation for the water plant and the wastewater plant. Staff recommends approval of the Company's capital structure. See Schedules CRM-W-6 and CRM-WW-6.

Revenue and Expenses

As justification for the initial rates, the Company has estimated its revenue and expenses. The revenue estimates were not adjusted by Staff. Staff has reviewed the Company's expense estimates and concurs with the Company's estimates. L.L.C.'s have the option of filing as a partnership with no income tax expense. The projected income statements are depicted at Schedules CRM-W-1 and CRM-WW-1.

Rate Design

The Company's projected revenues are derived from the residential and commercial, school and irrigation customer classes. Staff has reviewed the estimates and found them to be reasonable.

To promote conservation in the use of water, Staff has been recommending an inverted three-tiered rate structure in rate cases and CC&N cases. The Company has proposed a three-tiered rate design. Staff reviewed the Company's water minimum monthly flat charges and concurs with the Company's proposed minimum monthly flat charges. Staff recommends changes in the tiers of the residential 5/8 x 3/4 inch meter and the Commodity rates for all meter sizes to better promote conservation in the use of water.

Staff concurs with the Company's meter and service line installation charges except the charge for the 3/4 inch meter size. Staff recommends a \$600 charge for this meter size.

The wastewater rates requested by the Company are a monthly fixed fee. Staff concurs with the Company on its proposed monthly fees.

Staff recommends rates for treated Effluent different from the Company proposed rates as being reasonable and normal. See schedule CRM-WW-5.

Staff recommends that the Company proposed not sufficient funds charge (“NSF”) be reduced to \$25.00 to more closely reflect what most banks charge. Main extension and additional facilities agreement and collection of related taxes are addressed separately in the administrative code and should not be part of the tariff. The other service charges proposed were found reasonable and should be adopted for the Company’s initial rates. See Schedules CRM-W-5 and CRM-WW-5.

Recommendations

Staff recommends:

1. approval of Staff’s rates as shown on Schedules CRM-W-5 and CRM-WW-5. In addition to collection of its regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax.
2. the Company be required to file documentation with Docket Control, as a compliance item, a notification of service to its first customer within 15 days of serving its first customer.
3. the Company be required to file a rate application no later than three months following the fifth anniversary of the date the Company begins providing service to its first customer.
4. the Company be required to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water and Wastewater Utilities.
5. the Company be required to use the depreciation rates recommended by Staff Engineering for water and wastewater utilities.

WATER
Proforma Income Statement and
Original Cost Rate Base

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Operating Revenue:					
Metered Water Sales	\$303,750	\$1,129,064	\$2,248,858	\$3,423,342	\$4,587,670
Establishment Charges	\$15,000	\$27,150	\$30,180	\$30,150	\$30,150
Total Operating Revenue	\$318,750	\$1,156,214	\$2,279,038	\$3,453,492	\$4,617,820
Operating Expenses:					
Operation and Maintenance	273,540	466,444	712,015	968,644	1,224,553
Depreciation	105,185	259,669	399,056	671,940	944,857
Property Taxes	18,352	33,727	69,760	125,652	184,832
Income Taxes	25	25	25	25	25
Total Operating Expense	\$397,102	\$759,865	\$1,180,856	\$1,766,261	\$2,354,267
Operating Income/(Loss)	(78,352)	\$396,349	\$1,098,182	\$1,687,231	\$2,263,553
Less:					
Interest (expense) Income on Working Capital	34,050	69,013	80,222	46,721	35,625
Net Income	(\$44,302)	\$465,362	\$1,178,404	\$1,733,952	\$2,299,178
Number of Customers					
Residential	500	1,400	2,400	3,400	4,400
Commercial	0	5	11	16	21
Total	500	1,405	2,411	3,416	4,421
Plant in Service	\$13,504,547	\$14,258,726	\$23,100,768	\$23,938,337	\$32,769,906
Less: Accumulated Depreciation	12,416,304	364,854	763,910	1,435,850	2,380,707
Net Advances in Aid of Construction	290,722	552,884	732,880	800,533	750,737
Meter Deposits	235,000	636,850	1,045,225	1,404,099	1,715,738
Plus: 1/24 Power	2,048	7,815	15,748	24,090	32,349
1/8 Operation and Maintenance	34,193	58,306	89,002	121,081	153,069
ORIGINAL COST RATE BASE	\$12,909,881	\$12,770,259	\$20,663,504	\$20,443,026	\$28,108,142
Rate of Return	-61%	3.10%	5.31%	8.25%	8.05%

PLANT IN SERVICE - WATER

Acc't No.	Description	Cost Year One	Additions Year Two	Additions Year Three	Additions Year Four	Additions Year Five	Plant Total Year Five
301	Organization Cost	\$50,000	\$	\$	\$	\$	\$50,000
302	Franchise Cost						0
303	Land & Land Rights	2,120,000					2,120,000
304	Structures & Improvements	135,000		135,000		130,000	400,000
307	Wells & Springs						0
311	Pumping Equipment	384,000		383,000		383,000	1,150,000
320	Water Treatment Equipment	2,240,000		2,240,000		2,240,000	6,720,000
320.1	Water Treatment Plants	67,000		67,000		66,000	200,000
320.2	Solution Chemical Feeders	4,160,000		4,160,000		4,160,000	12,480,000
330	Distribution Reservoirs & Standpipes	500,000		500,000		500,000	1,500,000
330.1	Storage Tanks						0
330.2	Pressure Tanks						0
331	Transmission & Distrib. Mains	2,619,401				365,219	2,984,620
	Stub out of Services	71,645				361,800	433,445
	Transmission and Distribution(AIAC)	181,701	328,879	365,582	365,219	110,550	1,351,931
333	Services	180,000	325,800	362,415	361,800		1,230,015
334	Meters	55,000	99,550	111,995	110,550		377,095
335	Hydrants						0
	Hydrants 44 Hydrants	101,200					101,200
	Hydrants (CIAC)						0
336	Backflow Prevention Devices	96,600					96,600
339	Other Plant & Misc. Equipment	250,000		250,000		250,000	750,000
340	Office Furniture & Equipment						0
340.1	Computers & Software						0
341	Transportation Equipment	25,000					25,000
343	Tools, Shop & Garage Equip.						0
344	Laboratory Equipment					16,000	16,000
345	Power Operated Equipment	17,000		17,000			34,000
346	Communication Equipment	84,000		83,000		83,000	250,000
347	Miscellaneous Equipment						0
348	Other Tangible Plant	167,000		167,000		166,000	500,000
		13,504,547	\$754,229	8,841,992	\$837,569	\$8,831,569	\$32,769,906

PLANT IN SERVICE WATER
Annual Accumulated Depreciation

Acc't No.	Description	Staff's PIS Year 5	Staff's Depr. Rate	1st year Acc. Depr.	2nd year Acc. Depr.	3rd year Acc. Depr.	4th year Acc. Depr.	5th year Acc. Depr.
301	Organization Cost	\$50,000		\$	\$	\$	\$	\$
302	Franchise Cost							
303	Land & Land Rights	2,120,000						
304	Structures & Improvements	400,000	3.33%	2,248	6,743	13,487	22,478	33,633
307	Wells & Springs		2.00%					
311	Pumping Equipment	1,150,000	12.50%	24,000	72,000	143,938	239,813	359,625
320	Water Treatment Equipment	6,720,000	12.50%	3,730	24,690	63,634	165,557	330,443
320.1	Water Treatment Plants	200,000	3.33%	670	4,435	11,432	29,742	59,274
320.2	Solution Chemical Feeders	12,480,000	20.00%	6,926	45,853	118,178	307,463	613,679
330	Distribution Reservoirs & Standpipes	1,500,000	20.00%	5,550	16,650	33,300	55,500	83,250
330.1	Storage Tanks		10.00%					
330.2	Pressure Tanks		10.00%					
331	Transmission & Distrib. Mains	2,619,401	2.00%	26,194	78,582	130,970	183,358	235,746
	Stub out of Services	71,645	2.00%	716	2,149	3,582	5,015	6,448
	Transmission and Distribution(AIAC)	1,606,600	2.00%	1,817	8,740	22,607	43,783	72,263
333	Services	1,591,815	3.33%	2,997	9,855	32,732	67,668	114,651
334	Meters	487,645	8.33%	2,291	11,019	28,557	55,365	91,381
335	Hydrants		12.50%					
	Hydrants 44 Hydrants	101,200	2.00%	1,012	3,036	5,060	7,084	9,108
	Hydrants (CIAC)		2.00%					
336	Backflow Prevention Devices	96,600	6.67%	3,222	9,665	16,108	22,551	28,994
339	Other Plant & Misc. Equipment	750,000	6.67%	8,338	25,013	50,025	83,375	125,063
340	Office Furniture & Equipment		6.67%					
340.1	Computers & Software		20.00%					
341	Transportation Equipment	25,000	20.00%	2,500	7,500	12,500	17,500	22,500
343	Tools, Shop & Garage Equip.		5.00%					
344	Laboratory Equipment	16,000	10.00%					800
345	Power Operated Equipment	34,000	10.00%	425	1,275	2,550	4,250	5,950
346	Communication Equipment	250,000	10.00%	4,200	12,600	25,150	41,850	62,700
347	Miscellaneous Equipment		10.00%					
348	Other Tangible Plant	500,000	10.00%	8,350	25,050	50,100	83,500	125,200
		\$32,269,906		\$105,185	\$364,854	\$763,910	\$1,435,850	\$2,380,707

ADVANCES LESS REFUNDS

Year	Gross Advances	Cumm. Advances	Refund Percentage	Annual Refund	Cumulative Refund	Net Advances Balance
1	\$290,722	\$290,722	0.10	\$0.00	\$0.00	\$290,722
2	292,539	583,260	0.10	30,376	30,376	552,884
3	292,902	876,162	0.10	112,906	143,282	732,880
4	292,539	1,168,701	0.10	224,886	368,168	800,533
5	292,539	1,461,239	0.10	342,334	710,502	750,737

METER DEPOSITS LESS REFUNDS

Year	Gross Meter Deposits	Cumm. Deposits	Refund Deposit	Refund Cumm.	Advance/meter Net Deposits
1	\$235,000	\$235,000	\$0.00	\$0.00	\$235,000
2	425,350	660,350	23,500	23,500	636,850
3	474,410	1,134,760	66,035	89,535	1,045,225
4	472,350	1,607,110	113,476	203,011	1,404,099
5	472,350	2,079,460	160,711	363,722	1,715,738

RATE DESIGN-WATER

Minimum Monthly Flat Charge	Company	Staff
	Proposed Rates	Recommended Rates
5/8 x3/4 inch	\$38.00	\$38.00
3/4 inch	38.00	38.00
one inch	95.00	95.00
1-1/2 inch	190.00	190.00
two inch	304.00	304.00
three inch	608.00	608.00
four inch	950.00	950.00
six inch	1,900.00	1,900.00
eight inch	3,040.00	3,040.00
ten inch	4,370.00	4,370.00
twelve inch	8,170.00	8,170.00

Residential Customer Classes
Commodity Rates per 1,000 gallons

5/8 x3/4 inch meters and 3/4 inch meters (Residential)		
Tier One zero gallons to 5,000 gallons	6.25	5.50
Tier Two from 5,001 gallons to 14,000 gallons	7.25	7.75
Tier Three all gallons over 14, 000 gallons	8.25	9.50

All other customer classes
Commodity Rates all other meters sizes per 1,000 gallons

5/8 x 3/4 inch Meter		
Tier One zero gallons to 8,000 gallons	7.25	7.75
Tier Two All gallons over 8,000	8.25	9.50
3/4 inch Meter		
Tier One zero gallons to 8,000 gallons	7.25	7.75
Tier Two All gallons over 8,000 gallons	8.25	9.50
One Inch Meter		
Tier One zero gallons to 35,000 gallons	7.25	7.75
Tier Two All gallons over 35,000 gallons	8.25	9.50
1-1/2 Inch Meter		
Tier One zero gallons to 70,000 gallons	7.25	7.75
Tier Two All gallons over 70,000 gallons	8.25	9.50
Two Inch Meter		
Tier One zero gallons to 112,000 gallons	7.25	7.75
All gallons over 112,000 gallons	8.25	9.50

Three Inch Meter		
Tier One zero gallons to 224,000 gallons	7.25	7.75
Tier Two All gallons over 224,000 gallons	8.25	9.50
Four Inch Meter		
Tier One zero gallons to 350,000 gallons	7.25	7.75
Tier Two All gallons over 350,000 gallons	8.25	9.50
Six Inch Meter		
Tier One zero gallons to 700,000 gallons	7.25	7.75
Tier Two All gallons over 700,000 gallons	8.25	9.50
Eight Inch Meter		
Tier One zero gallons to 1,120,000 gallons	7.25	7.75
Tier Two All gallons over 1,120,000 gallons	8.25	9.50
Ten Inch Meter		
Tier One zero gallons to 1,610,000 gallons	7.25	7.75
Tier Two All gallons over 1,610,000 gallons	8.25	9.50
Twelve Inch Meter		
Tier One zero gallons to 3,010,000 gallons	7.25	7.75
Tier Two All gallons over 3,010,000 gallons	8.25	9.50

Meter and Service Line Installation

5/8 x3/4 Inch	470	470
3/4 inch	750	600
1 inch	650	650
1-1/2 inch	895	895
2 inch Turbo	1,555	1,555
2 inch Compound	2,060	2,060
3 inch Turbo	2,235	2,235
3 inch Compound	3,070	3,070
4 inch Turbo	3,440	3,440
4 inch Compound	4,395	4,395
6 inch Turbo	6,195	6,195
6 inch Compound	7,970	7,970
Larger Meters Sizes	Cost	Cost

Green Acres Water, L.L.C.
Docket Number W-020431A-05-0839

Schedule CRM-W-5
Page 3 of 3

Establishment of Service	30.00	30.00
Establishment of Service (after hours)	50.00	50.00
Re-establishment of Service (Within 12 months)	**	**
Reconnection (delinquent) after hours	30.00	30.00
After hours service charge, per hour	50.00	50.00
Deposit	2x mo. Bill	*
Charge for NSF Check	35.00	25.00
Late payment charge for delinquent bills	35.00	see below
Deferred Payment Finance Charge	0.0150	see below
Main extension and additional facilities agreements	(b)@ Cost	n/a
All revenue related taxes will be charged customers		n/a
Meter Test (If meter is reading correctly)	30.00	30
Meter re-read	30.00	30
Deferred Payment	1.50% mo.	****
Late Payment	1.50% mo.	***

* Per Commission Rules (R14-2-403.B).

** Months off system times the minimum, (R14-2-403.D).

*** 1.50 percent of unpaid monthly balance per mopnth.

**** Per Commission Rules (R14-2-403.G).

Equity- Water

	Year 1	Year 2	Year 3	Year 4	Year 5
Common Stock	\$15,248,825	\$15,285,166	\$18,985,166	\$19,057,846	\$24,557,846
Retained Earnings	(44,302)	421,060	1,599,463	3,333,415	5,632,593
Total Equity	\$15,204,523	\$15,706,226	\$20,584,629	\$22,391,261	\$30,190,439
Liabilities and Deferred Credits					
Advances in Aid of Construction	290,722	552,884	732,880	800,533	750,737
Contribution in Aid of Construction					
Less: Amortization					
Customer Deposits	235,000	636,850	1,045,225	1,404,099	1,715,738
Long-Term Debt					
Total Liabilities and Deferred Credits					
Total Equity and Liability	\$15,730,245	\$16,895,960	\$22,362,734	\$24,595,893	\$32,656,914
Equity Percentage	92.45%				
Contributions Percentage	7.55%				
Total percentage	100.00%				

WASTEWATER
Proforma Income Statement and
Original Cost Rate Base

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Operating Revenue:					
Flat Rate Revenue	\$129,000	\$491,490	\$1,037,934	\$1,661,778	\$2,283,558
Measured Revenue	\$17,431	\$66,593	\$144,145	\$231,431	\$317,306
Establishment Charges	\$30				
Total Operating Revenue	\$146,461	\$558,083	\$1,182,079	\$1,893,209	\$2,600,864
Operating Expenses:					
Operation and Maintenance	250,524	365,344	513,061	692,159	854,128
Depreciation	60,738	136,643	321,934	537,332	586,734
Property Taxes	8,070	16,073	35,643	67,647	103,635
Income Taxes	25	25	25	25	25
Total Operating Expense	\$319,357	\$518,085	\$870,663	\$1,297,163	\$1,544,522
Operating Income/(Loss)	(\$172,897)	\$39,998	\$311,416	\$596,046	\$1,056,342
Less:					
Interest Income	2,250	8,926	16,136	3,162	4,452
Net Income	(170,647)	\$48,924	\$327,552	\$599,208	\$1,060,794
Number of Customers					
Residential	800	1,600	2,400	3,200	4,800
Commercial	0	5	11	16	21
Total	800	1,605	2,411	3,216	4,821
Plant in Service	\$6,970,000	\$7,648,750	\$16,258,500	\$17,162,250	\$18,066,000
Less: Accumulated Depreciation	64,488	215,418	567,524	1,153,164	1,806,281
Net Contributions in Aid of Construction	371,250	1,035,713	1,915,290	2,770,733	3,608,100
Plus: 1/24 Power	479	1,828	3,902	6,254	8,587
Plus: 1/8 Operation and Maintenance	29,878	40,185	52,426	67,757	81,005
ORIGINAL COST RATE BASE	\$6,564,619	\$6,439,636	\$13,832,014	\$13,312,365	\$12,741,211
Rate of Return	-2.63%	0.62%	2.25%	4.48%	8.29%

PLANT IN SERVICE - WASTEWATER

Acc't No.	Description	Cost Year One	Additions Year Two	Additions Year Three	Additions Year Four	Additions Year Five	Plant Total Year Five
351	Organization	\$ 150,000.00	\$	\$	\$	\$	\$150,000
352	Franchises						0
353	Land and Land Rights	1,000,000					1,000,000
354	Structures and Improvements	635,000		2,300,000			2,935,000
355	Power Generation Equipment						0
360	Collecting Sewers-Force						0
361	Collecting Sewers-Gravity	2,465,000					2,465,000
362	Special Collecting Structures						0
363	Services to Customers Residential	375,000	675,000	900,000	900,000	900,000	3,750,000
363	Services to Customers Non-Residential		3,750	9,750	3,750	3,750	21,000
364	Flow Measuring Devices	8,500		35,000			43,500
365	Flow Measuring Installations	2,500		9,000			11,500
370	Receiving Wells						0
371	Pumping Equipment	138,000		500,000			638,000
374	Reuse Distribution Reservoirs	500,000					500,000
375	Reuse Transmission and Distribution	250,000					250,000
380	Treatment and Disposal Equip.	690,000		2,500,000			3,190,000
381	Plant Sewers	345,000		1,250,000			1,595,000
382	Outfall Sewer Lines	7,000		26,000			33,000
389	Other Plant and Misc. Equip.						0
390	Office Furniture and Equip.						0
390.1	Computer Equipment	82,500		300,000			82,500
391	Transportation Equipment	25,000					25,000
393	Tools, Shop and Garage Equip.						0
394	Laboratory Equipment	20,500		80,000			100,500
395	Power Operated Equipment						0
398	Other Tangible Plant	276,000		1,000,000			1,276,000
	Totals	\$6,970,000	\$678,750	\$8,909,750	\$903,750	\$903,750	\$18,066,000

PLANT IN SERVICE WASTEWATER
Annual Accumulated Depreciation

Acc't No.	Description	Staff's PIS Year 5	Staff's Depr. Rat	1st year Acc. Depr.	2nd year Acc. Depr.	3rd year Acc. Depr.	4th year Acc. Depr.	5th year Acc. Depr.
351	Organization	\$150,000	0.00%	\$	\$	\$	\$	\$
352	Franchises		0.00%					
353	Land and Land Rights	1,000,000	0.00%					
354	Structures and Improvements	2,935,000	3.33%	10,573	31,718	91,159	188,894	286,630
355	Power Generation Equipment		5.00%					
360	Collecting Sewers-Force		2.00%					
361	Collecting Sewers-Gravity	2,465,000	2.00%	2,470	16,333	42,087	79,723	129,023
362	Special Collecting Structures		2.00%					
363	Services to Customers Residential	3,750,000	2.00%	3,750	18,000	48,000	96,000	162,000
363	Services to Customers Non-Residential	21,000	2.00%		38	210	518	900
364	Flow Measuring Devices	43,500	10.00%	425	1,275	3,875	8,225	12,575
365	Flow Measuring Installations	11,500	10.00%	125	375	1,075	2,225	3,375
370	Receiving Wells		2.00%					
371	Pumping Equipment	638,000	12.50%	8,625	25,875	74,375	154,125	233,875
374	Reuse Distribution Reservoirs	500,000	2.50%	6,250	18,750	31,250	43,750	56,250
375	Reuse Transmission and Distribution	250,000	2.50%	3,125	9,375	15,625	21,875	28,125
380	Treatment and Disposal Equip.	3,190,000	5.00%	1,728	11,430	62,103	183,865	343,365
381	Plant Sewers	1,595,000	5.00%	8,625	25,875	74,375	154,125	233,875
382	Outfall Sewer Lines	33,000	3.33%	117	350	1,016	2,115	3,213
389	Other Plant and Misc. Equip.		5.00%					
390	Office Furniture and Equip.		3.33%					
390.1	Computer Equipment	382,500	20.00%	8,250	24,750	41,250	57,750	74,250
391	Transportation Equipment	25,000	20.00%	2,500	7,500	12,500	17,500	22,500
393	Tools, Shop and Garage Equip.		20.00%					
394	Laboratory Equipment	100,500	10.00%	1,025	3,075	9,125	19,175	29,225
395	Power Operated Equipment		5.00%					
398	Other Tangible Plant		10.00%					
395	Power Operated Equipment		10.00%					
398	Other Tangible Plant	1,276,000	5.00%	6,900	20700	59,500	123,300	187,100
	Totals	<u>\$18,366,000</u>		<u>\$64,488</u>	<u>\$215,415</u>	<u>\$567,524</u>	<u>\$1,153,164</u>	<u>\$1,806,281</u>

Green Acres Sewer, L.L.C.
Docket Number SW-020431A-05-0840

Schedule CRM-WW-4

CONTRIBUTIONS LESS AMORIZATION

Year	Gross Contributions	Cumm. Contributions	Refund 10.00%	Annual Amorization	Cumulative Amortization	Net Contributions Balance
1	\$ 375,000	\$ 375,000	10.0	\$ 3,750	\$ 3,750	\$371,250
2	678,750	1,053,750	10.0	14,288	18,038	1,035,713
3	909,750	1,963,500	10.0	30,173	48,210	1,915,290
4	903,750	2,867,250	10.0	48,308	96,518	2,770,733
5	903,750	3,771,000	10.0	66,383	162,900	3,608,100

RATE DESIGN-WASTEWATER

<u>Minimum Monthly Flat Charge</u>	Company	Staff
	Proposed Rates	Recommended Rates
5/8 x3/4 inch	\$43.00	\$43.00
3/4 inch	43.00	43.00
one inch	107.50	107.50
1-1/2 inch	215.00	215.00
two inch	344.00	344.00
three inch	688.00	688.00
four inch	1,075.00	1,075.00
six inch	2,150.00	2,150.00
Treated Effluent per 1,000 gallons	1.07	2.00
Teated Effluent per acre foot	350.00	654.00
Establishment of Service	30.00	30.00
Establishment of Service (after hours) (collected only if customer is sewer only)	50.00	50.00
Re-establishment of Service (Within 12 months)	(a)	**
Reconnection (delinquent) after hours	30.00	30.00
After hours service charge per hour	50.00	50.00
Deposit	2x mo. Bill	*
NSF Check	35.00	25.00
Deferred Payment Finance Charge per month	1.50%	1.50%
Main Extension and additional facilities agreements	(b)	n/a
All revenue related taxes will be charged customers		n/a
Late Payment		***

* Per Commission Rules (R14-2-603B).
** Per Commission Rules (R-14-2-609D).
*** 1.50% per month on the unpaid balance monthly.

(a) Monthly minimum times months off the system
(b) Cost to include parts, labor, overhead, and all applicable taxes, including income taxes

Equity- Wastewater

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Common Stock	\$7,150,000	\$7,150,000	\$13,150,000	\$13,150,000	\$13,150,000
Retained Earnings	(170,647)	(121,723)	205,829	805,038	1,865,832
Total Equity	<u>\$6,979,353</u>	<u>\$7,028,277</u>	<u>\$13,355,829</u>	<u>\$13,955,038</u>	<u>\$15,015,832</u>
Liabilities and Deferred Credits					
Advances in Aid of Construction					
Contribution in Aid of Construction	375,000	1,053,750	1,963,500	2,867,250	3,771,000
Less: Amortization	(3,750)	(18,038)	(48,210)	(96,518)	(162,900)
Customer Deposits					
Long-Term Debt					
Total Liabilities and Deferred Credits					
Total Equity and Liabiltiy	<u>\$7,350,603</u>	<u>\$8,063,989</u>	<u>\$15,271,119</u>	<u>\$16,725,769</u>	<u>\$18,623,932</u>
Equity Percentage	80.63%				
Contributions Percentage	19.37%				
Total percentage	<u>100.00%</u>				

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: April 18, 2006

RE: **GREEN ACRES WATER, L.L.C. (DOCKET NO. W-20430A-05-0839)**
GREEN ACRES SEWER, L.L.C. (DOCKET NO. SW-20431A-05-0840)
2ND AMENDED LEGAL DESCRIPTION

The area requested by Green Acres for a CC&N for water and wastewater has been plotted using a second amended legal description, which has been docketed. The entire correct legal description is attached and should be used in place of the original description submitted with the application and the amended description attached to my memo dated April 12, 2006.

Also attached are copies of the maps for your files.

:bsw

Attachments

cc: Docket Control
Ms. Beth Heath
Ms. Deb Person (Hand Carried)
File

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PARCEL 1

THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 3 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

EXCEPT ALL THAT PORTION OF LOT 10 LYING SOUTHWESTERLY OF OLD HIGHWAY 80 RIGHT-OF-WAY FURTHER DESCRIBED AS FOLLOWS:

BEGINNING AT THE CENTER SECTION OF SAID SECTION 6;

THENCE SOUTH ALONG THE NORTH-SOUTH MID-SECTION LINE, A DISTANCE OF 1575.09 FEET TO A POINT ON THE NORTHEASTERLY RIGHT-OF-WAY OF OLD U.S. HIGHWAY 80. THENCE SOUTHEAST ALONG THE ARC OF A CURVE CONCAVE NORTHEAST AND SAID NORTHEASTERLY RIGHT-OF-WAY LINE OF SAID CURVE HAVING A RADIUS OF 1095.91 FEET, 105.92 FEET THROUGH 05 DEGREES 32 MINUTES 15 SECONDS OF CENTRAL ANGLE TO A POINT OF TANGENCY. THENCE SOUTH 44 DEGREES 55 MINUTES 02 SECONDS EAST 868.00 FEET TO A POINT OF CURVE CONCAVE SOUTHWEST HAVING A RADIUS OF 4543.379 FEET. THENCE SOUTHEAST ALONG THE NORTHEASTERLY RIGHT-OF-WAY AND THE ARC OF SAID CURVE 500.56 FEET THROUGH 06 DEGREES 18 MINUTES 45 SECONDS OF CENTRAL ANGLE TO A POINT OF REVERSE CURVE CONCAVE NORTHEAST HAVING A RADIUS OF 4344.523 FEET. THENCE ALONG THE ARC OF SAID REVERSE CURVE 148.75 FEET THROUGH 01 DEGREES 57 MINUTES 42 SECONDS OF CENTRAL ANGLE TO A POINT ON THE SOUTH LINE OF SAID SOUTH EAST QUARTER AND THE SOUTH LINE OF SAID SECTION 6, NORTH 87 DEGREES 39 MINUTES 14 SECONDS WEST 1562.44 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 6.

PARCEL 2

THE WEST HALF OF SECTION 6 TOWNSHIP 3 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

EXCEPT THAT PORTION OF LAND LYING SOUTH OF THE FOLLOWING DESCRIBED RIGHT OF WAY LINE:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 6;

THENCE NORTH 89°51'11" EAST, ALONG THE NORTH LINE OF THE NORTHWEST QUARTER OF SAID SECTION 6, A DISTANCE OF 468.19 FEET TO THE EXISTING RIGHT OF WAY OF OLD HIGHWAY 80, SAID POINT BEING ON THE ARC OF A 2905.53 FOOT RADIUS NON TANGENT CURVE, CONCAVE SOUTHWESTERLY WHOSE CENTER BEARS SOUTH 40°20'38" WEST AND THE POINT OF BEGINNING;

THENCE SOUTHEASTERLY, ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 22°16'12", A DISTANCE OF 1129.33 FEET.

THENCE SOUTH 22°51'48" EAST, A DISTANCE OF 3406.15 FEET TO THE BEGINNING OF A TANGENT CURVE OF 1107.90 FOOT RADIUS, CONCAVE NORTHEASTERLY;

THENCE SOUTHEASTERLY, ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 15°59'07", A DISTANCE OF 309.10 FEET TO A POINT OF ENDING ON THE NORTH-SOUTH MID- SECTION LINE OF SAID SECTION 6 WHICH BEARS SOUTH 00°18'41" WEST, A DISTANCE OF 1135.40 FEET TO THE SOUTH QUARTER CORNER OF SAID SECTION 6.

PARCEL 3

THE NORTH HALF OF THE NORTHWEST QUARTER OF SECTION 1; AND

THE NORTHEAST QUARTER OF SECTION 1;

AND THE SOUTHEAST QUARTER OF SECTION 1;

EXCEPT THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 1 BEING 5 AC IN SIZE;

ALL IN TOWNSHIP 3 SOUTH RANGE 5 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 4

ALL OF THE NORTHWEST QUARTER AND OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SECTION 26, TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, LYING WEST OF THE FOLLOWING DESCRIBED LINE:

COMMENCING AT A BENT BUREAU OF LAND MANAGEMENT (BLM) BRASS CAP, MARKING THE SOUTH QUARTER CORNER OF SAID SECTION 26, BEING SOUTH 89°22'13" EAST 2635.47 FEET FROM A BRASS CAP MARKED "LS 22282" MARKING THE SOUTHWEST CORNER OF SAID SECTION 26;

THENCE ALONG THE SOUTH LINE OF SAID SECTION 26, NORTH 89°22'13" WEST 760.58 FEET TO THE EXISTING RIGHT OF WAY CENTERLINE OF STATE ROUTE 85;

THENCE ALONG SAID EXISTING RIGHT OF WAY CENTERLINE OF STATE ROUTE 85, NORTH 10°04'29" EAST 180.86 FEET;

THENCE NORTH 79°55'31" WEST 210.80 FEET TO THE POINT OF BEGINNING;

THENCE NORTH 10°04'06" EAST 2462.87 FEET TO THE EAST-WEST MID SECTION LINE OF SAID SECTION 26, BEING SOUTH 89°20'59" EAST 2111.14 FEET FROM A BLM BRASS CAP MARKING THE WEST QUARTER CORNER OF SAID SECTION 26;

THENCE CONTINUING NORTH 10°04'06" EAST 407.64 FEET;

THENCE NORTH 04°21'49" EAST 1082.88 FEET TO THE BEGINNING OF A TANGENT CURVE OF 12377.67 FOOT RADIUS, CONCAVE EASTERLY;

THENCE NORTHEASTERLY, ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 04°55'56", A DISTANCE OF 1065.49 FEET;

THENCE NORTH 79°55'54" WEST 626.48 FEET; TO THE POINT OF ENDING ON THE NORTH LINE OF SECTION 26, BEING NORTH 89°23'58" WEST 887.25 FEET FROM A BLM BRASS CAP MARKING THE NORTH QUARTER CORNER OF SAID SECTION 26.

PARCEL 5

THAT PART OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 33, TOWNSHIP 2 SOUTH, RANGE 4 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA LYING NORTHERLY OF A LINE DESCRIBED AS BEGINNING AT THE SOUTHWEST CORNER OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 33 AND TERMINATING AT THE NORTHEAST CORNER OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 33.

PARCEL 6

THAT PART OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32 AND THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 33, ALL IN TOWNSHIP 2 SOUTH, RANGE 4 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA LYING NORTHERLY OF A LINE DESCRIBED AS BEGINNING AT THE SOUTHWEST CORNER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 32 AND TERMINATING AT THE NORTHEAST CORNER OF SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 33.

PARCEL 7

THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 32, TOWNSHIP 2 SOUTH, RANGE 4 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 8

THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 32,
TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE
AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 9

THE NORTH HALF OF THE NORTHWEST QUARTER AND THE NORTHWEST
QUARTER OF THE NORTHEAST QUARTER OF SECTION 33, TOWNSHIP 2
SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND
MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 10

THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 28,
TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE
AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 11

THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 28,
TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE
AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 12

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF SECTION 28,
TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE
AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 13

THE NORTH HALF OF THE SOUTHEAST QUARTER OF SECTION 28,
TOWNSHIP 2 SOUTH, RANGE 4 WEST, GILA AND SALT RIVER BASE AND
MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 14

THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 28,
TOWNSHIP 2 SOUTH, RANGE 4 WEST, GILA AND SALT RIVER BASE AND
MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 15

THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 28;

AND THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF
SECTION 29;

AND THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF
SECTION 32;

AND THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 32;

AND THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 32;

AND THE EAST HALF OF THE NORTHEAST QUARTER OF SECTION 31;

AND THE SOUTH HALF OF THE SOUTHEAST QUARTER OF SECTION 29;

ALL IN TOWNSHIP 2 SOUTH RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 16

THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER; AND

THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER;

ALL IN SECTION 33, TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 17

THE NORTH HALF OF THE SOUTHEAST QUARTER; AND

THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER; AND

THE SOUTH HALF OF THE NORTHEAST QUARTER; AND

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER;

ALL IN SECTION 32, TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 18

THE SOUTHWEST QUARTER OF SECTION 32, TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 19

THE SOUTH HALF OF SECTION 31, TOWNSHIP 2 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 20

THE NORTHEAST QUARTER OF SECTION 6, TOWNSHIP 3 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 21

THE NORTHWEST QUARTER OF SECTION 5, TOWNSHIP 3 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 22

THE SOUTHWEST QUARTER OF SECTION 5, TOWNSHIP 3 SOUTH, RANGE 4 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

PARCEL 23

THE WEST HALF AND THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 2 SOUTH, RANGE 5 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

EXCEPT THAT PORTION LYING NORTH OF THE EXISTING SOUTH RIGHT OF WAY OF OLD HIGHWAY 80 DESCRIBED AS FOLLOWS:

COMMENCING AT THE WEST QUARTER CORNER OF SAID SECTION 36;

THENCE NORTH $00^{\circ}12'00''$ WEST, A DISTANCE OF 107.49 FEET TO THE SOUTH RIGHT OF WAY LINE OF OLD HIGHWAY 80 AND THE POINT OF BEGINNING;

THENCE SOUTH $48^{\circ}23'51''$ EAST, ALONG SAID SOUTH RIGHT OF WAY, A DISTANCE OF 4190.15 FEET TO THE BEGINNING OF A TANGENT CURVE OF A 2805.53 FOOT RADIUS, CONCAVE SOUTHWESTERLY;

THENCE NORTHEASTERLY, ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF $00^{\circ}36'24''$, A DISTANCE OF 29.71 FEET TO THE SOUTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 36 AND TO THE POINT OF ENDING FROM WHICH THE SOUTHEAST CORNER BEARS NORTH $87^{\circ}09'55''$ EAST A DISTANCE OF 2124.23 FEET