



AUG 25 2006

**MEMORANDUM RECEIVED**

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2006 AUG 25 P 4: 26

FROM: Ernest G. Johnson  
Director  
*for* Utilities Division

AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: August 25, 2006

RE: STAFF RESPONSE TO ICR WATER USERS ASSOCIATION, INC.  
REQUEST TO EXTEND DEADLINE IN DECISION NO. 64360, DOCKET  
NO. W-02824A-01-0450

**Summary of Filing**

On August 14, 2006, ICR Water Users Association, Inc. ("ICR" or "Company") filed with the Arizona Corporation Commission ("Commission") a request to extend the deadline for filing a general rate application as required in Decision No. 64360. The Decision requires the Company to file a rate application on or before January 15, 2007.

The Company is requesting the extension for the following reasons:

1. To file on January 15, 2007, the Company would have to use a split (part 2005, part 2006) test year which, for a small water company, is less efficient and requires additional steps to prepare the required schedules.
2. ICR has experienced continued customer growth and it believes it would be prudent to utilize a test year that captures the Company's recent growth to minimize any rate increase by spreading the costs over a larger ratepayer base.
3. The Company anticipates the installation of additional capital equipment in 2006 between \$300,000 and \$500,000. It would be prudent to include the expense associated with these projects as part of any rate application.

For these reasons, the Company requests that its rate application filing deadline be extended to July 15, 2007.

**Staff Analysis**

Staff concurs with the Company's rationale for utilizing an annual period for its test year and that doing so will create efficiencies for both the Company and Staff. Staff recommends that the Commission grant the Company's request for an extension of time to file its rate application, using a 2006 test year, to July 15, 2007.

Staff also reviewed ICR's recent annual filings in connection with this request. As indicated on the attached Exhibit I, the Company has suffered operating losses for several years. Additionally, it appears that the Company has incurred long-term debt (\$3.872 million as of December 31, 2005) and reduced its paid in capital to zero as of the end of 2005. Staff was unable to locate any Commission approval for long-term loans for ICR. The Company should immediately provide an explanation for incurring long-term debt without Commission approval and/or file the appropriate application for financing approval.

**Staff Recommendation**

Staff recommends approval of the Company's request for an extension of time to file its rate application, using a 2006 test year, to July 15, 2007.

Staff further recommends that the Company file a financing application to request approval of any long-term loans.

EGJ:JJD:red

Originator: James J. Dorf

Attachment: Original and sixteen copies

Service List for: ICR Water Users Association, Inc.  
Docket No. W-02824A-01-0450

ICR Water Users Association, Inc.  
PO Box 5669  
Chino Valley, AZ 86323

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

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

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

**OPERATING RESULTS**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenue	147,067	123,675	79,128	67,674
Operating Exp.*	<u>(244,017)</u>	<u>(224,438)</u>	<u>(113,355)</u>	<u>(81,165)</u>
Operating Inc/(Loss)	<u>(96,950)</u>	<u>(100,763)</u>	<u>(34,227)</u>	<u>(13,491)</u>
Other Inc/(Exp)	<u>4,552</u>	<u>(1,127)</u>	<u>(262)</u>	<u>(770)</u>
Net Loss	<u><b>(92,398)</b></u>	<u><b>(101,890)</b></u>	<u><b>(34,489)</b></u>	<u><b>(14,261)</b></u>

\*Includes Outside  
Service Charges of

	<u>89,325</u>	<u>46,950</u>	<u>20,680</u>	<u>16,574</u>
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**SELECTED FINANCIAL INFORMATION**

Total Assets	<u>4,930,772</u>	<u>5,032,660</u>	<u>4,672,461</u>	<u>1,107,969</u>
Current Liabilities	12,630	7,270	5,453	4,072
Long-term Notes	<b>3,872,697</b>	<b>43,325</b>	<b>31,650</b>	<b>25,350</b>
AIAC & CIAC	1,441,768	0	0	0
Paid in Capital	0	<b>5,189,059</b>	<b>4,740,462</b>	<b>1,212,162</b>
Retained Losses	<u>(396,323)</u>	<u>(206,994)</u>	<u>(105,104)</u>	<u>(70,615)</u>
Total Liab. & Capital	<u>4,930,772</u>	<u>5,032,660</u>	<u>4,672,461</u>	<u>1,170,969</u>