

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION
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COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
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KRISTIN K. MAYES
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2008 MAR 14 P 3 44

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
ICR WATER USERS ASSOCIATION, INC.
FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-02824A-07-0388

**NOTICE OF FILING OF DIRECT
TESTIMONY**

On February 27, 2008, Administrative Law Judge Marc E. Stern issued a Procedural Order setting deadlines for the pre-filing of testimony. Arizona Corporation Commission ("ACC") Utilities Division Staff ("Staff") was directed to file the testimony of its witnesses on or before March 14, 2008.

Pursuant to that order, Staff hereby provides the testimony of the following witnesses:

1. Mr. Charles R. Mylhousen,
2. Mr. Jian Liu.

Any exhibits referred to within any testimony have been attached to the individual testimony.

RESPECTFULLY SUBMITTED this 14th day of March, 2008.

Kevin O. Torrey
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Arizona Corporation Commission
DOCKETED

MAR 14 2008

DOCKETED BY hp

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1 Original and thirteen (13) copies
2 of the foregoing were filed this
3 14th day of March, 2008 with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 Copy of the foregoing mailed this
9 14th day of March, 2008 to:

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25
26
27
28


AMENDED

DIRECT

TESTIMONY

OF

CHARLES R. MYHLHOUSEN

JIAN W. LIU

DOCKET NO. W-02824A-07-0388

**IN THE MATTER OF THE APPLICATION OF
ICR WATER USERS ASSOCIATION,
AN ARIZONA CORPORATION, FOR
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES FOR UTILITY SERVICES**

MARCH 14, 2008

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON

Chairman

WILLIAM A. MUNDELL

Commissioner

JEFF HATCH-MILLER

Commissioner

KRISTIN K. MAYES

Commissioner

GARY PIERCE

Commissioner

IN THE MATTER OF THE APPLICATION OF)
ICR WATER USERS ASSOCIATION, AN)
ARIZONA CORPORATION, FOR)
DETERMINATION OF THE CURRENT FAIR)
VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES FOR UTILITY)
SERVICES)
_____)

DOCKET NO. W-02824A-07-0388

AMENDED

DIRECT

TESTIMONY

OF

CHARLES R. MYHLHOUSEN

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 14, 2008

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EXECUTIVE SUMMARY
ICR WATER USERS ASSOCIATION, INC.
DOCKET NO. W-02824A-07-0388

ICR Water Users Association, Inc. ("ICR" or "Company") is an Arizona non-profit member-owned domestic water provider in Yavapai County. The Company is located approximately 12 miles northwest of Prescott, Arizona and serves a portion of Yavapai County. ICR is an Arizona non-profit corporation, and the members/customers elect a board of directors who manage and operate the Company through its by-laws. The Company served approximately 364 customers during the test year ended December 31, 2006. The Company's current rates were approved in Decision No. 59263, dated August 30, 2002. This is the first rate application filed by the Company since the approval of the original certificate of convenience and necessity.

The Company application proposes rates that would produce operating revenue of \$355,174 resulting in operating income of \$53,276 for a 15.00 percent operating margin. The Company proposal would increase annual operating revenue by \$86,908 or 32.40 percent over test year revenues of \$268,266. Under the Company proposed rates, the typical residential 5/8 inch meter customer consuming the median of 4,500 gallons per month, would experience a \$10.38 or 34.82 percent increase in their monthly bill from \$29.80 to \$40.18.

Staff Amended Testimony recommends including imputed revenue of \$114,290 from the Talking Rock Golf Course that was not collected by the Company and to increase various Company expenses by \$20,737 to reflect the loss of reimbursement for those expenses by the golf course. Staff now recommends rates that would produce total operating revenue of \$382,389 resulting in operating income of \$35,605 for a 9.31 percent operating margin. Staff's recommended revenue represents no increase over adjusted test year revenue of \$382,389. Under Staff's recommended rates, due to adjusting a single tier commodity rate to a 3-tier commodity rate; the typical residential 5/8 inch meter customer consuming the median of 4,500 gallons per month, would experience a decrease of (\$1.47) or 4.93 percent decrease in their monthly bill from \$29.80 to \$28.33.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Charles R. Myhlhousen. I am a Public Utilities Analyst III employed by the
4 Arizona Corporation Commission (“ACC” or “Commission”) in the Utilities Division
5 (“Staff”). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.
6

7 **Q. Are you the same Charles R. Myhlhousen who filed direct testimony in this case?**

8 A. Yes, I am.
9

10 **Q. What is the purpose of your amended testimony in this proceeding?**

11 A. The purpose of my amended testimony in this proceeding is to respond, on behalf of Staff
12 to additional audit findings and adjustments.
13

14 **Q. What issues will you address?**

15 A. Staff will address rate base, operating, income, revenue requirement, basis for operating
16 income determination and rate design.
17

18 **Q. Please explain how Staff’s amended testimony is organized.**

19 A. Staff’s amended testimony is generally organized to present the issues in the same
20 sequence as presented in Staff’s direct testimony.
21

22 **RATE BASE**

23 **Q. Please review the rate base recommendations addressed in this testimony.**

24 A. The Company as filed proposes a rate base of a negative \$554,252. Staff recommends a
25 rate base of a negative \$576,986, see Schedule CRM-3. For a detailed account of Staff’s
26 recommended adjustment, see Schedules CRM-4.

1 **Q. Please review the rate base adjustment.**

2 A. My testimony addresses the following rate base issue:

3 Adjustment No. 1 Cash Working Capital – Staff’s adjustment decreases cash working
4 capital by \$22,734 to zero. Staff typically only allows cash working capital allowances
5 calculated by the formula method for small class D and E utilities. The formula method
6 always produces a positive cash working capital need. Utilities classified as A, B, or C are
7 much larger and Staff believes that the formula method does not accurately reflect cash
8 working capital needs. Typically Staff finds that proper lead/lag studies usually produce a
9 negative cash working capital need in utilities of larger sizes. Staff recommended
10 disallowance of any cash work capital allowance in this case. See Schedule CRM-5.

11
12 **OPERATING INCOME**

13 **Q. What are the results of Staff’s analysis of test year revenues, expenses and operating**
14 **income/loss?**

15 A. Staff’s supplemental analysis reflects adjusted test year revenues of \$382,389, expenses of
16 \$346,784 and an operating income of \$35,605 as shown on Schedules CRM-6 and CRM-
17 7. Staff made two adjustments to operating revenue and ten adjustments to operating
18 expenses. Some of the adjustments are the same as filed in Staff’s direct testimony.

19
20 **Q. Please review Staff’s adjustments to operating revenues and expenses.**

21 A. My amended testimony addresses the following issues:

22 Operating Income Adjustment No.1 Annualized Revenue - Staff’s adjustment decreased
23 revenue by \$167, to correct the amount annualized in revenue which was overstated. See
24 Schedule CRM-8.

1 Operating Income Adjustment No. 2 Metered Water Revenue - Staff's supplemental
2 adjustment increased test year revenue by \$114,290, to impute the amount of revenue
3 which was understated and should have been collected from Talking Rock Golf Course
4 ("TRGC") for water delivered from the Company's well. TRGC is located within the
5 Company's certificated area.

6
7 These two adjustments increased test year revenue by \$114,123 from \$268,266 to
8 \$382,389. See Schedules CRM-6, CRM-7, CRM-8, CRM-9, and CRM-24.

9
10 Operating Income Adjustment No. 3 Chemicals - Staff's adjustment increased chemical
11 expense by \$151 from \$2,516 to \$2,667 to include the prorated reimbursed amount paid
12 by TRGC that should have been paid by the Company. See Schedules CRM-6, CRM-7,
13 and CRM-10.

14
15 Operating Income Adjustment No. 4 Repairs and Maintenance - Staff made a
16 supplemental adjustment to increase repairs and maintenance expense by \$3,428 to
17 include the prorated reimbursed amount paid by TRGC that should have been paid by the
18 Company. Staff had previously made an adjustment that decreased repairs and
19 maintenance by (\$153). The net adjustment to repairs and maintenance is \$3,275
20 increasing it from 14,542 to \$17,817. See Schedules CRM-6, CRM-7, and CRM-11.

21
22 Operating Income Adjustment No. 5 Office Supplies - Staff's adjustment increased office
23 supplies expense by \$225 from \$1,720 to \$1,945 to include the prorated reimbursed
24 amount paid by TRGC that should have been paid by the Company. See Schedules CRM-
25 6, CRM-7, and CRM-12.

1 Operating Income Adjustment No. 6 Contracting Services-Accounting - Staff's
2 adjustment increased contracting services-accounting expense by \$1,093 from \$32,549 to
3 \$33,642 to include the prorated reimbursed amount paid by TRGC that should have been
4 paid by the Company. See Schedules CRM-6, CRM-7, and CRM-13.

5
6 Operating Income Adjustment No. 7 Contracting Services-Other - Staff made a
7 supplemental adjustment to increase contracting services-other expense by \$11,276 to
8 include the prorated reimbursed amount paid by TRGC that should have been paid by the
9 Company. Staff had previously made an adjustment that increased contracting services-
10 other by \$2,264. The net adjustment is \$13,540 increasing contracting services-other from
11 \$83,963 to \$97,503. See Schedules CRM-6, CRM-7, and CRM-14.

12
13 Operating Income Adjustment No. 8 Water Testing Expense - Staff's adjustment
14 decreased water testing expense by \$917 from \$4,946 to \$4,029 to conform with Staff's
15 estimated water testing expense. See Staff's engineering testimony. See Schedules CRM-
16 6, CRM-7, and CRM-15.

17
18 Operating Income Adjustment No. 9 Insurance - Other - Staff's adjustment increased
19 insurance-other expense by \$487 from \$8,995 to \$9,482 to include the prorated
20 reimbursed amount paid by TRGC that should have been paid by the Company. See
21 Schedules CRM-6, CRM-7, and CRM-16,

22
23 Operating Income Adjustment No. 10 - Miscellaneous Expense - Staff's adjustment
24 increased miscellaneous expense by \$2,087 from \$235 to \$2,322 to include the prorated
25 reimbursed amount paid by TRGC that should have been paid by the Company. See
26 Schedules CRM-6, CRM-7, and CRM-17.

1 Operating Income Adjustment No. 11 – Purchased Power - Staff's supplemental
2 adjustment increased purchased power expense by \$21,751 from \$16,239 to \$37,990 to
3 include the prorated reimbursed amount paid by TRGC that should have been paid by the
4 Company. See Schedules CRM-6, CRM-7, and CRM-18.

5
6 Operating Income Adjustment No. 12- Property Taxes - Staff made a supplemental
7 adjustment to increase property taxes by \$3,194 from \$11,148 to \$14,342 to reflect Staff's
8 adjusted test year and recommended revenues, using the modified Arizona Department of
9 Revenue property tax methodology. See Schedules CRM-6, CRM-7 and CRM-19.

10
11 **REVENUE REQUIREMENT**

12 **Q. Would you please summarize Staff's recommended revenue requirement.**

13 A. Staff recommends annual revenue of \$382,389, no increase over test year adjusted
14 revenue of \$ 382,389, as shown on Schedule CRM-6.

15
16 **Q. Did Staff impute the revenue that should have been collected by the Company from**
17 **TRGC for water received from the Company's well?**

18 A. Yes. TRGC received 36,544,000 gallons of water from the Company's well on which the
19 authorized tariff rate approved by the Commission was not billed or collected from the
20 TRGC. See Schedule CRM- 24.

21
22 **BASIS FOR OPERATING INCOME DETERMINATION**

23 **Q. What is the appropriate method to determine the Company's operating income and**
24 **revenue requirement?**

25 A. Because the Company is a non-profit organization, operating income should be calculated
26 by applying the recommended operating margin. Operating margin equals operating

1 income divided by revenue, expressed as a percentage. The percentage represents the
2 amount of each dollar of revenue that results in operating income.

3
4 **Q. What is the appropriate operating margin?**

5 A. The appropriate operating margin is 9.31 percent. This operating margin will produce
6 sufficient revenue to cover the operating expenses and an operating income of \$35,605.
7 The Commission has determined on other rate application decisions that an operating
8 margin between 9 to 14 percent will generally afford companies sufficient operating
9 income.

10

11 **RATE DESIGN**

12 **Q. Have you prepared a schedule summarizing the present, Company proposed, and**
13 **Staff recommended rates and service charges?**

14 A. Yes, A summary of the present, Company proposed, and Staff recommended rates and
15 service charges are provided on Schedule CRM - 20.

16

17 **Q. Would you please summarize Staff's recommended rate design?**

18 A. Staff recommends an inverted tier rate design that consists of three-tiers for the 5/8 x 3/4
19 inch meters and the 3/4 inch meters and two-tiers for all others. No gallons are included
20 in the minimum charge. Staff recommends a three-tier commodity rate, with the same
21 break over points for the 5/8 x 3/4 inch meters, and the 3/4 inch meters and a two-tier
22 commodity rate, with different break over points for all other meter sizes. The first,
23 second, and third tier rates are \$1.75, \$2.65 and \$3.20 per thousand gallons. Efficiency in
24 water use is encouraged by producing a higher customer bill with increased consumption
25 or use of a larger meter. The construction, bulk and standpipe commodity rate has been
26 increased to \$4.20 per thousand gallons so that they would be charged the second tier

1 commodity charge which is recommended for large users. A typical bill analysis is
2 provided for the 5/8 x 3/4 inch meter for average and median use under Company's
3 present, Company proposed, and Staff recommended rates as presented on Schedule
4 CRM-20.

5
6 **Q. What is the rate impact on a typical 5/8 x 3/4 inch meter residential customer?**

7 A. The median usage of residential 5/8 x 3/4 inch meter customers is 4,500 gallons per
8 month. The median residential 5/8 x 3/4 inch-meter customers would experience \$10.38
9 or 34.82 percent increase in their monthly bill from \$29.80 to \$40.18, under the
10 Company's proposed rates and a (\$1.47) or 4.93 percent decrease in their monthly bill
11 from \$29.80 to \$28.33, under Staff's recommended rates. See Schedule CRM-21.

12
13 **RECOMMENDATIONS**

14 **Q. What is Staff recommending?**

15 A. Staff recommends that the Company charge TRGC for all water that is received by the
16 golf course from the Company's well at the tariff rate that is in effect at the time of
17 delivery.

18
19 Staff further recommends that the second well be transferred to the Company's ownership
20 within 30 days of an order in this Docket. If the Company fails to provide Staff with
21 sufficient proof of this transfer within the time provided, Staff recommends the filing of an
22 Order to Show Cause.

23
24 **Q. Does this conclude your amended testimony?**

25 A. Yes, it does.

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SCHEDULES

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CRM-24	Water gallons to Golf Course Calculation
CRM-25	Purchased Power Calculation

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) Company ORIGINAL COST	(B) Company FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ (554,252)	\$ (554,252)	\$ (576,986)	\$ (576,986)
2	Adjusted Operating Income (Loss)	\$ (33,632)	\$ (33,632)	\$ 35,605	\$ 35,605
3	Current Rate of Return (L2 / L1)	6.07%	6.07%	-6.17%	-6.17%
4	Required Operating Margin	15.00%	15.00%	9.31%	9.31%
5	Required Operating Margin	\$ 53,276	\$ 53,276	\$ 35,605	\$ 35,605
6	Operating Income Deficiency (L5 - L2)	\$ 86,908	\$ 86,908	\$ -	\$ -
7	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	1.0000
8	Required Revenue Increase (L7 * L6)	\$ 86,908	\$ 86,908	\$ -	\$ -
9	Adjusted Test Year Revenue	\$ 268,266	\$ 268,266	\$ 382,389	\$ 382,389
10	Proposed Annual Revenue (L8 + L9)	\$ 355,174	\$ 355,174	\$ 382,389	\$ 382,389
11	Required Increase in Revenue (%)	32.40%	32.40%	0.00%	0.00%

References:

Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Staff Schedules CRM-3, CRM-6
Column (D): Staff Schedules CRM-3, CRM-6

ICR WATER USERS ASSOCIATION
Docket No. W-2824A-07-0388
Test Year Ending December 31,2006

Amended Schedule CRM-2 Blank

Schedule CRM-2 Blank--Left Blank Purposely

RATE BASE - ORIGINAL COST

LINE NO.	(A) Company AS FILED	(B) STAFF ADJUSTMENTS	REF	(C) STAFF AS ADJUSTED
1	\$ 5,331,978	\$ -		\$ 5,331,978
2	(625,682)	-		(625,682)
3	<u>\$ 4,706,296</u>	<u>\$ -</u>		<u>\$ 4,706,296</u>
<u>LESS:</u>				
4	(1,330,469)			(1,330,469)
5	(3,932,263)	-		(3,932,263)
6	(20,550)	-		(20,550)
<u>ADD:</u>				
7	-	-		-
8	-	-		-
9	-	-		-
10	-	-		-
11	22,734	(22,734)	1	-
12	<u>\$ (554,252)</u>	<u>\$ (22,734)</u>		<u>\$ (576,986)</u>

References:

Column (A): Company Schedule B-1
Column (B): Testimony CRM
Column (C):Column (A) +Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] Company AS FILED	[E] ADJ #1	[I] STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>					
1					
2	301	Organization	\$ -	\$ -	\$ -
3	302	Franchise Costs	-	-	-
4	303	Land and Land Rights	-	-	-
5	304	Structures and Improvements	398,048	-	398,048
6	305	Collecting and Impounding Res.	-	-	-
7	306	Lake, River and Other Intakes	-	-	-
8	307	Wells & Springs	656,998	-	656,998
9	308	Infiltration Galleries and Tunnels	-	-	-
10	309	Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Electric Pumping Equipment	1,808	-	1,808
13	320	Water Treatment Equipment	106,689	-	106,689
14	330	Distribution Reservoirs & Standpipe	4,037,457	-	4,037,457
15	331	Transmission & Distribution Mains	-	-	-
16	333	Services	68,233	-	68,233
17	334	Meters	27,117	-	27,117
18	335	Hydrants	-	-	-
19	336	Backflow Prevention Devices	-	-	-
20	339	Other Plant and Miscellaneous Equipment	-	-	-
21	340	Office Furniture & Fixtures	141	-	141
22	341	Transportation Equipment	-	-	-
23	342	Stores Equipment	-	-	-
24	343	Tools and Work Equipment	-	-	-
25	344	Laboratory Equipment	-	-	-
26	345	Power Operated Equipment	-	-	-
27	346	Communications Equipment	10,533	-	10,533
28	347	Miscellaneous Equipment	1,495	-	1,495
29	348	Other Tangible Plant	23,458	-	23,458
			-	-	-
			-	-	-
30		Total Plant in Service	\$ 5,331,978	-	5,331,978
31		Less: Accumulated Depreciation	(625,682)	-	(625,682)
32		Net Plant in Service (L59 - L 60)	\$ 4,706,296	-	\$ 4,706,296
33		<u>LESS:</u>			
34		Net CIAC (L25 - L26)	(1,330,469)	-	(1,330,469)
35		Advances in Aid of Construction (AIAC)	(3,932,263)	-	(3,932,263)
36		Customer Meter Deposits	(20,550)	-	(20,550)
37		<u>ADD:</u>			
38		Unamortized Finance Charges	-	-	-
39		Deferred Tax Assets	-	-	-
40		Materials and Supplies Inventories	-	-	-
41		Prepayments	-	-	-
42		Working Capital	22,734	(22,734)	-
43		Intentionally Left Blank	-	-	-
44		Original Cost Rate Base	\$ (554,252)	\$ (22,734)	\$ (576,986)

ADJ #
1 Cash Working Capital

References:
CRM-5 Testimony CRM

ICR WATER USERS ASSOCIATION
Docket No. W-2824A-07-0388
Test Year Ending December 31,2006

Amended Schedule CRM-5

ORIGINAL COST RATE BASE ADJUSTMENT #1 - CASH WORKING CAPITAL

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Company</u> <u>As</u> <u>Filed</u>	<u>Staff</u> <u>Adjustments</u>	<u>Staff</u> <u>As</u> <u>Adjusted</u>
1	Cash Working Capital	\$ 22,734	\$ (22,734)	\$ -

Reference:

Col. [A] Company Schedule B-1

Col. [B] Testimony CRM

Col. [C] Col. [A] + Col. [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1	REVENUES:						
2	Metered Water Sales	\$ 214,863	\$ 114,123	1&2	\$ 328,986		\$ 328,986
3	Water Sales - Unmetered	-	-		-	-	-
4	Other Operating Revenue	53,403	-		53,403	-	53,403
5	Total Operating Revenues	\$ 268,266	\$ 114,123		\$ 382,389	\$ -	\$ 382,389
6	OPERATING EXPENSES:						
7	Salaries and Wages	\$ -	\$ -		\$ -	\$ -	\$ -
8	Employee Pensions and Benefits	-	-		-	-	-
9	Purchased Water	6,388	-		6,388	-	6,388
10	Purchased Power	16,239	21,751	11	37,990	-	37,990
11	Chemicals	2,516	151	3	2,667	-	2,667
12	Repairs and Maintenance	14,542	3,275	4	17,817	-	17,817
13	Office Supplies and Expenses	1,720	225	5	1,945	-	1,945
14	Contractual Services - Engineering	-	-		-	-	-
15	Contractual Services - Accounting	32,549	1,093	6	33,642	-	33,642
16	Contractual Services - Legal	513	-		513	-	513
17	Contractual Services - Other - Operations	83,963	13,540	7	97,503	-	97,503
18	Water Testing	4,946	(917)	8	4,029	-	4,029
19	Rents	3,600	-		3,600	-	3,600
20	Transportation Expense	-	-		-	-	-
21	Insurance - Vehicle	-	-		-	-	-
22	Insurance - General Liability	-	-		-	-	-
23	Insurance - Workers Comp	-	-		-	-	-
24	Insurance - Other	8,995	487	9	9,482	-	9,482
25	Regulatory Commission Expense - Rate Case	20,000	-		20,000	-	20,000
26	Telephone	751	-		751	-	751
27	Water Resource Conservation	-	-		-	-	-
28	Bad Debt Expense	-	-		-	-	-
29	Miscellaneous Expense	235	2,087	10	2,322	-	2,322
30	Depreciation Expense	93,748	-		93,748	-	93,748
31	Taxes Other than Income	-	-		-	-	-
32	Property Taxes	11,148	3,194	12	14,342	-	14,342
33	Income Tax	45	-		45	-	45
34	Intentionally Left Blank	-	-		-	-	-
35	Total Operating Expenses	\$ 301,898	\$ 44,886		\$ 346,784	\$ -	\$ 346,784
36	Operating Income (Loss)	\$ (33,632)	\$ 69,237		\$ 35,605	\$ -	\$ 35,605

References:

- Column (A): Company Schedule C-1
- Column (B): Testimony CRM
- Column (C): Column (A) + Column (B)
- Column (D): Schedules CRM-1 and CRM-2
- Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Annualized Revenue	(C) Metered Water Revenue	(D) Chemicals	(E) Repairs & Maint.	(F) Office Supplies	(G) Contr. Srv. Actg.	(H) Water Operator	(I) Water Testing	(J) Insurance-Other	(K) Miscellaneous	(L) Purchased Power	(M) Property Tax	(N) STAFF ADJUSTED
		ADJ #1	ADJ #2	ADJ #3	ADJ #4	ADJ #5	ADJ #6	ADJ #7	ADJ #8	ADJ #9	ADJ #10	ADJ #11	ADJ #12		
1	REVENUES:														
2	Metered Water Sales	214,863	(187)	114,280											
3	Water Sales - Unmetered	53,403													
4	Other Operating Revenue														
5	Total Operating Revenues	268,266	(187)	114,280											328,986
6	OPERATING EXPENSES:														
7	Salaries and Wages														
8	Employee Penalties and Benefits														
9	Purchased Water	6,388													6,388
10	Purchased Power	18,239										21,751			37,990
11	Chemicals	2,516			151										2,667
12	Repairs and Maintenance	14,542				3,275									17,817
13	Office Supplies and Expenses	1,720					225								1,945
14	Contractual Services - Engineering														
15	Contractual Services - Accounting	32,549						1,083							33,642
16	Contractual Services - Legal	513													513
17	Contractual Services - Other - Operations	83,963						13,540							97,503
18	Water Testing	4,946													4,029
19	Rent	3,600													3,600
20	Transportation Expense														
21	Insurance - Vehicle														
22	Insurance - General Liability														
23	Insurance - Workers Comp														
24	Insurance - Other	8,985									487				9,482
25	Regulatory Commission Expense - Rate Case	20,000													20,000
26	Telephone	751													751
27	Water Resource Conservation														
28	Bad Debt Expense														
29	Miscellaneous Expense	235										2,087			2,322
30	Depreciation Expense	93,748													93,748
31	Taxes Other than Income														
32	Property Taxes	11,148												3,184	14,342
33	Income Tax	45													45
34	Intentionally Left Blank														
35	Total Operating Expenses	301,898			151	3,275	225	1,083	13,540	(917)	487	2,087	21,751	3,184	348,784
36	Operating Income (Loss)	(33,632)	(187)	114,280	151	8,548	225	1,083	1,318	(917)	487	(430)	21,751	3,184	35,605

ADJ #	1	2	3	4	5	6	7	8	9	10	11	12
	Annualized Revenue	Metered Revenue	Chemicals	Repairs & Maint	Office Supplies	Contr. Srv-Actg	Contr Svcs Other	Water Testing	Insurance-Other	Miscellaneous Exp	Property Taxes	Purchased Power
References:	CRM-8	CRM-9	CRM-10	CRM-11	CRM-12	CRM-13	CRM-14	CRM-15	CRM-16	CRM-17	CRM-18	CRM-19

OPERATING INCOME ADJUSTMENT # 1 - Annualized Revenue D.T.

Line No.	Description	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Annualized Revenue	\$ 214,863	\$ (167)	\$ 214,696

References

Col. [A] Company Schedule H-1	\$ 9,957
Column (B): Testimony CRM	9,790
Col. [C]: Col. [A] + Col. [B]	\$ (167)

Meter Size	Adjustments by Meter Size		Difference
	Company	Staff	
5/8 inch	\$ 1,547	\$ 1,551	\$ 4
1 inch	1,563	1,344	(219)
2 inch	6,847	6,895	48
Total	\$ 9,957	\$ 9,790	\$ (167)

OPERATING INCOME ADJUSTMENT # 2 - Metered Revenue

Supplemental Schedule Allocation

Year 2006

	[A] Golf Course <u>Well one</u>	[B] Golf Course <u>Well two</u>	[C] Company <u>Well three</u>	[D] Total <u>Gallons pumped</u>
Total gallons pumped	<u>80,621,000</u>	<u>9,602,000</u>	<u>62,874,000</u>	<u>153,097,000</u>
Total gallons used by golf course	125,026,000			
gallons pumped from golf course wells	88,482,000			
gallons from ICR Wells to golf course				
Less: 1,000 gallons included in monthly minimum for 12 months.	12,000			
Gallons subject to commodity rate.	<u>34,791,000</u>			
Tariff Rate amount.			<u>\$ 36,532</u>	
			Monthly Minimum \$1,000 12 months	\$12,000
			Commodity rate \$2.80 per 1,000 gallons	<u>\$102,290</u>
Total due from golf course				<u>\$114,290</u>

OPERATING INCOME ADJUSTMENT #3 - Chemicals

Description	[A] Company <u>As</u> Filed	[B] <u>Staff</u> Adjustments	[C] Staff <u>As</u> Adjusted
	Chemicals	\$2,516	\$ 151

Supplemental Schedule Allocation 0.405630529

Year 2006 reimbursed expenses allocation CRM-22

Account	Description	True Up Amount	Allocated Amount
618	Chemicals	\$ 371.20	\$ 151
	Amount recommended by Staff		\$ 2,667
	Amount per Company's adjusted test year as filed		2,516
	Increase/loss in expense		\$ 151

References

- Col. [A] Company Schedule C-1
- Col [B]: Supplemental Testimony CRM
- Col [C]: [A+Col. [B]
- Supplemental Schedule CRM-7 Col: [D]
- Supplemental Allocation Schedule CRM-22

OPERATING INCOME ADJUSTMENT #4- REPAIRS AND MAINTENANCE

<u>Line</u> No.	<u>Description</u>	[A] Company <u>As</u> Filed	[B] <u>Staff</u> Adjustments	[C] Staff <u>As</u> Adjusted
1	Repairs and Maintenance [<u>\$14,542</u>	\$ (153.00)	\$17,817
	Supplemental Schedule		<u>3,428</u>	
			<u>\$ 3,275</u>	

<u>Acct. No.</u>	<u>Additional Repairs and Maintenance Adjustments</u>	
	<u>ADD:</u>	
62000 IC	G/L Adjustment to remove credit posted in account	514
62000 TR	G/L Adjustment to remove credit posted in account	1563
62000 IC	G/L Adjustment to remove credit posted in account	287
	Total	2364
	<u>LESS:</u>	
62000 IC	Normalize Storage tanks expense from C.W. Divers	
62000 TR	C W Divers Inv. 06-505 dated 11/02/06	1,520.00
	C W Divers Inv. 06-504 dated 11/02/06	1626
	Total	3,146
	Normalize expense over 5 years	629
	Amount not allowed in current test year:	<u>(\$2,517)</u>
	Net decrease in Repairs from test year amount	<u>(\$153)</u>

Supplemental Schedule Allocation Percentage 0.405630529

	<u>True Up Amount</u>	<u>Allocated Amount</u>
620 Repairs & Maintenance	\$ 8,450.38	\$ <u>3,428</u>

References

- Col. [A] Company Schedule C-1
- Column [B]: Direct Testimony and Supplemental Testimony CRM
- Col. [C]: Col. [A] + Col. [B]
- Supplemental Allocation Schedule CRM-22
- Supplemental Schedule CRM-7 Col: [E]

ICR WATER USERS ASSOCIATION
 Docket No. W-2824A-07-0388
 Test Year Ending December 31,2006

Amended Schedule CRM-12

OPERATING INCOME ADJUSTMENT # 5 - Office Supplies

Description	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
	Office Supplies	\$1,720	\$ 225

Supplemental Schedule Allocation 0.405630529

Year 2006 reimbursed expenses allocation CRM-22

Account	Description	True Up Amount	Allocated Amount
621	Office Expense	\$ 1,256.05	\$ 516
	Telephone	\$ 94.98	\$ 39
			<u>\$ 555</u>

Amount recommended by Staff	\$ 1,945
Amount per Company's adjusted test year as filed	<u>1,720</u>
Increase/loss in expense	<u>\$ 225</u>

References

Col. [A] Company Schedule C-1
 Col [B]: Supplemental Testimony CRM
 Col [C]: [A+Col. [B]
 Supplemental Schedule CRM-7 Col: [F]
 Supplemental Allocation Schedule CRM-22

OPERATING INCOME ADJUSTMENT # 6 - Contracting Services-Accounting

Supplemental Schedule Allocation Percentage 0.405631

Description	[A] Company <u>As</u> Filed	[B] Staff <u>Staff</u> Adjustment:	[C] Staff <u>As</u> Adjusted
	Contr Serv-Accounting	\$32,549	\$ 1,093

Supplemental Schedule Allocation

Year 2006 reimbursed expenses allocation CRM-22

Account	Description	True Up Am	Allocated Amount
601-1	Accounting Expense	\$ 4,824.00	\$ 1,957
	Accounting Extras	\$ 1,818.00	\$ 737
			\$ 2,694

Amount recommended by Staff	\$ 33,642
Amount per Company's adjusted test year as filed	32,549
Increase/loss in expense	<u>\$ 1,093</u>

References

Col. [A] Company Schedule C-1
Col [B]: Supplemental Testimony CRM
Col [C]: [A+Col. [B]
Supplemental Schedule CRM-7 Col: [G]
Supplemental Allocation Schedule CRM-22

OPERATING INCOME ADJUSTMENT #7 - CONTRACTUAL SERVICES

Line No.	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Contractua \$ 83,963	\$ 2,264	\$ 86,227
	Supplemental	<u>\$11,276</u>	
		\$ 13,540	<u>\$ 97,503</u>

Computations		
Amount claimed in rate application		\$ 83,963
Increase/(decrease) to Contractual Services - Operations		2,264
Amount recommended by Staff		86,227
Additional Contractual Services -Operations Adjustments		
ADD: General Ledger Account Numbers		
63000		30
63000IC		1870
63000TR		595
63010IC		290
63010TR		650
63010		96
Total		3531
Less:		
Erickson Landscaping invoices Company will no longer have a landscaping expense. Developer maintained.		(1,267)
Net increase (decrease) from test year amount		<u>\$ 2,264</u>

Supplemental Schedule Allocation F 0.40563053

	<u>True Up Amount</u>	<u>Allocated Amount</u>
630	\$27,279.27	\$11,065
630.1	519.47	211
Total		<u>\$11,276</u>

References

References

- Col. [A] Company Schedule C-1
- Col [B]: Direct Testimony and Supplemental Testimony CRM
- Col [C]: [A+Col. [B]
- Supplemental Schedule CRM-7 Col: [H]
- Supplemental Allocation Schedule CRM-22

ICR WATER USERS ASSOCIATION
Docket No. W-2824A-07-0388
Test Year Ending December 31,2006

Amended Schedule CRM-15

OPERATING INCOME ADJUSTMENT # 8 - WATER TESTING EXPENSE

Line No.	Descriptor	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Water Test	\$4,946	(\$917)	<u>\$4,029</u>

References

Col. [A] Company Schedule H-1
Column [B]: Testimony Engineering
Col. [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT # 9 - Insurance - Other

Supplemental Schedule Allocation Percentage 0.405631

Description	[A] Company <u>As</u> Filed	[B] <u>Staff</u> Adjustment	[C] Staff <u>As</u> Adjusted
	Insurance Othe	\$8,995	\$ 487

Supplemental Schedule Allocation 0.41068081

Year 2006 reimbursed expenses allocation CRM-22

Account	Description	True Up Am	Allocated Amount
601-1	Insurance-Other	\$ 1,201	\$ 493

Amount recommded by Staff	\$ 9,482
Amount per Company's adjusted test year as filed	8,995
Increase/loss in expense	<u>\$ 487</u>

References

- Col. [A] Company Schedule C-1
- Col [B]: Supplemental Testimony CRM
- Col [C]: [A+Col. [B]
- Supplemental Schedule CRM-7 Col: [J]
- Supplemental Allocation Schedule CRM-22

OPERATING INCOME ADJUSTMENT # 10 - Miscellaneous Expense

Supplemental Schedule Allocation Percentage 0.410681

Description	[A] Company <u>As</u> Filed	[B] <u>Staff</u> Adjustments	[C] Staff <u>As</u> Adjusted
	Insurance Other	\$235	\$ 2,087

Supplemental Schedule Allocation 0.405630529

Year 2006 reimbursed expenses allocation CRM-22

Account	Description	True Up Amount	Allocated Amount
675 Misc Operating	\$	4,004	\$ 1,624
426 Non- Misc		1,142	463
			<u>\$ 2,087</u>

Amount recommended by Staff	\$ 2,087
Amount per Company's adjusted test year as filed	235
Increase/loss in expense	<u>\$ 2,322</u>

References

- Col. [A] Company Schedule C-1
- Col [B]: Supplemental Testimony CRM
- Col [C]: [A+Col. [B]
- Supplemental Schedule CRM-7 Col: [K]
- Supplemental Allocation Schedule CRM-22

OPERATING INCOME ADJUSTMENT # 11 - Purchased Power

				Total
Electric Power allocation gallons pumped	78,882,000	9,600,000	60,385,000	<u>148,867,000</u>
Cost of electric power paid by golf course	\$53,623			
Cost of electric power per 1,000 gallons of water pumped	0.0003602074			
Cost of electric power for well No. three	<u>\$21,751</u>			

References:

Supplemental Allocation Schedule 0.4056305

	[A] Company <u>As</u> Filed	[B] <u>Staff</u> Adjustments	[C] Staff <u>As</u> Adjusted
Description			
Purchased Power	<u>\$16,239</u>	<u>\$ 21,751</u>	<u>\$37,990</u>

Supplemental Schedule Allocation 0.41068081

Year 2006 reimbursed expenses allocation CRM-22

<u>Account</u>	<u>Description</u>	<u>True Up Amount</u>	<u>Allocated Amount</u>
	Purchased F	<u>\$ 53,623</u>	<u>\$ 21,751</u>

Amount recommended by Staff	\$ 37,990
Amount per Company's adjusted test year as filed	<u>16,239</u>
Increase/loss in expense	<u>\$ 21,751</u>

References

- Col. [A] Company Schedule C-1
- Col [B]: Supplemental Testimony CRM
- Col [C]: [A+Col. [B]
- Supplemental Schedule CRM-7 Col: [J]
- Supplemental Allocation Schedule CRM-22

OPERATING INCOME ADJUSTMENT #12 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A]		(B)	
		COMPANY AS FILED		STAFF AS ADJUSTED	
1	Staff Adjusted Test Year Revenues	\$	268,266	\$	382,389
2	Weight Factor				2
3	Subtotal (Line 1 * Line 2)				764,777
4	Staff Recommended Revenue, Per Schedule CRM-1				382,389
5	Subtotal (Line 4 + Line 5)				1,147,166
6	Number of Years				3
7	Three Year Average (Line 5 / Line 6)				382,389
8	Department of Revenue Multiplier				2
9	Revenue Base Value (Line 7 * Line 8)				764,777
10	Plus: 10% of CWIP				-
	Tax on Parcels				261
11	Less: Net Book Value of Licensed Vehicles				-
12	Full Cash Value (Line 9 + Line 10 - Line 11)				764,777
13	Assessment Ratio - Average of 2006 and 2007 Rate				0.2350
14	Assessment Value (Line 12 * Line 13)				179,723
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3)				7.9800000%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	\$		\$	14,342
17	Company Proposed Property Tax				11,148
18	Increase/(Decrease) to Property Tax Expense	\$		\$	3,194

References:
Supplemental Testmony CRm

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8 x 3/4" Meter	\$ 20.00	\$ 25.50	\$ 20.00
3/4" Meter	20.00	38.25	30.00
1" Meter	50.00	63.75	50.00
1 1/2" Meter	100.00	127.50	100.00
2" Meter	160.00	204.00	160.00
3" Meter	300.00	382.50	320.00
4" Meter	500.00	637.50	500.00
6" Meter	1,000.00	1,275.00	1,000.00
Gallons included in Minimum	1,000	0	0
Commodity Rates			
All meter sizes			
Per 1,000 gallons in excess of gallons in monthly minimum	\$ 2.80	n/a	n/a
5/8 x 3/4 Inch Meter			
Tier 1 zero gallon to 4,000 gallons	n/a	3.19	n/a
Tier 2 4,001 gallons to 10,000 gallons	n/a	3.83	n/a
Tier 3 All gallons over 10,000 gallons	n/a	4.47	n/a
Tier 1 zero gallon to 4,000 gallons	n/a	n/a	1.75
Tier 2 4,001 gallons to 10,000 gallons	n/a	n/a	2.65
Tier 3 All gallons over 10,000 gallons	n/a	n/a	3.20
3/4 Inch Meter			
Tier 1 zero gallon to 4,000 gallons	n/a	\$ 3.19	n/a
Tier 2 4,001 gallons to 10,000 gallons	n/a	\$ 3.83	n/a
Tier 3 All gallons over 10,000 gallons	n/a	\$ 4.47	n/a
Tier 1 zero gallon to 4,000 gallons	n/a	n/a	1.75
Tier 2 4,001 gallons to 10,000 gallons	n/a	n/a	2.65
Tier 3 All gallons over 10,000 gallons	n/a	n/a	3.20
1 Inch Meter			
Tier 1 Up to 25,000 gallons	n/a	\$ 3.83	n/a
Tier 2 Over 25,000 gallons	n/a	4.47	n/a
Tier 1 Up to 140,000	n/a	n/a	2.80
Tier 2 Over 140,000 gallons	n/a	n/a	4.20
1.5 Inch Meter			
Tier 1 Up to 50,000 gallons	n/a	\$ 3.83	n/a
Tier 2 Over 50,000 gallons	n/a	\$ 4.47	n/a
Tier 1 Up to 700,000 gallons	n/a	n/a	2.80
Tier 2 Over 700,000 gallons	n/a	n/a	4.20
2 Inch Meter			
Tier 1 Up to 80,000 gallons	n/a	\$ 3.83	n/a
Tier 2 Over 80,000 gallons	n/a	\$ 4.47	n/a
Tier 1 Up to 1,025,000 gallons	n/a	n/a	2.80
Tier 2 Over 1,025,000 gallons	n/a	n/a	4.20
3 Inch Meter			
Tier 1 Up to 160,000 gallons	n/a	\$ 3.83	n/a
Tier 2 Over 160,000 gallons	n/a		n/a
Tier 1 Up to 1,500,000 gallons	n/a	n/a	2.80
Tier 2 Over 1,500,000 gallons	n/a	n/a	4.20

4 Inch Meter			
Tier 1 Up to 250,000 gallons	n/a	\$ 3.83	n/a
Tier 2 Over 250,000 gallons	n/a		n/a
Tier 1 Up to 2,275,000 gallons	n/a	n/a	2.80
Tier 2 Over 2,275,000 gallons	n/a	n/a	4.20
6 Inch Meter			
Tier 1 Up to 500,000 gallons	n/a	\$ 3.83	n/a
Tier 2 Over 500,000 gallons	n/a		n/a
Tier 1 Up to 3,050,000 gallons	n/a	n/a	2.80
Tier 2 Over 3,050,000 gallons	n/a	n/a	4.20
Construction/Bulk, per 1,000 gallons - all gallons.	n/a	3.83	4.20

Service Line and Meter Installation Charges	Present	COMPANY PROPOSED			STAFF RECOMMENDED		
		Service Line Charge	Meter Installation	Total Proposed	Service Line Charge	Meter Installation	Total Recommended
5/8" x 3/4" Meter	\$ 250.00	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
3/4" Meter	\$ 250.00	\$ 385.00	\$ 215.00	\$ 600.00	\$ 385.00	\$ 215.00	\$ 600.00
1" Meter	\$ 300.00	\$ 435.00	\$ 255.00	\$ 690.00	\$ 435.00	\$ 255.00	\$ 690.00
1½" Meter	\$ 450.00	\$ 470.00	\$ 465.00	\$ 935.00	\$ 470.00	\$ 465.00	\$ 935.00
2" Turbine Meter	\$ 625.00	\$ 630.00	\$ 965.00	\$ 1,595.00	\$ 630.00	\$ 965.00	\$ 1,595.00
2" Compound Meter	\$ 625.00	\$ 630.00	\$1,690.00	\$ 2,320.00	\$ 630.00	\$1,690.00	\$ 2,320.00
3" Turbine Meter	\$ 825.00	\$ 805.00	\$1,470.00	\$ 2,275.00	\$ 805.00	\$1,470.00	\$ 2,275.00
3" Compound Meter	\$ 825.00	\$ 845.00	\$2,265.00	\$ 3,110.00	\$ 845.00	\$2,265.00	\$ 3,110.00
4" Turbine Meter	\$1,450.00	\$ 1,170.00	\$2,350.00	\$ 3,520.00	\$ 1,170.00	\$2,350.00	\$ 3,520.00
4" Compound Meter	\$1,450.00	\$ 1,230.00	\$3,245.00	\$ 4,475.00	\$ 1,230.00	\$3,245.00	\$ 4,475.00
6" Turbine Meter	\$3,100.00	\$ 1,730.00	\$4,545.00	\$ 6,275.00	\$ 1,730.00	\$4,545.00	\$ 6,275.00
6" Compound Meter	\$3,100.00	\$ 1,770.00	\$6,280.00	\$ 8,050.00	\$ 1,770.00	\$6,280.00	\$ 8,050.00
8 inch	n/a	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
10 inch	n/a	At cost	At cost	At cost	At cost	At cost	At cost
12 inch	n/a	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Service Charges	Present	Company Proposed	Staff Recommended
Establishment	\$ 25.00	\$ 25.00	\$ 25.00
Establishment (After Hours)	50.00	50.00	50.00
Reconnection (Delinquent)	20.00	20.00	20.00
Reconnection (After Hours)	n/a	40.00	40.00
Meter Test (Calibration or leak deception)	20.00	20.00	20.00
Deposit Requirement(Residential/ Commercial) (1)	per rule	per rule	*
Deposit Interest (2)	per rule	per rule	6.00%
Re-Establishment (Within 12 Months) (3)	per rule	per rule	**
NSF Check	15.00	15.00	15.00
Deferred Payment Per Month 1.5 %	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	10.00	10.00	10.00
Late Charge per Month	(a)	(a)	***

Monthly Service Charge for Fire Sprinkler

4 inch or Smaller	n/a	n/a	****
6 inch	n/a	n/a	****
8 inch	n/a	n/a	****
10 inch	n/a	n/a	****
Larger than 10 inch	n/a	n/a	****

Company Proposed

- 1 Per Rule Deposit (R-14-2-403.B)
- 2 Per Rule Deposit Interest (R-14-2-403.B.3)
- 3 Per Rule Reestablishment (14-2-403.D.1)

(a) \$5.00 minimum or 1.5% of unpaid balance whichever is greater.

Staff Recommended

* Per rule R14-2-403.B

** Months off system time the minimum (R-14-2-403.D)

*** 1.5 percent of the unpaid balance per month.

**** 100 percent of monthly minimum for a comparable Sized Meter Connection.

but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,085	\$ 37.04	\$ 50.08	\$ 13.04	35.20%
Median Usage	4,500	\$ 29.80	\$ 40.18	\$ 10.38	34.82%
Staff Recommended					
Average Usage	7,085	\$ 37.04	\$ 35.26	\$ (1.78)	-4.81%
Median Usage	4,500	\$ 29.80	\$ 28.33	\$ (1.47)	-4.93%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Company Present		Company Proposed		%	Staff Recommended		%
	5/8*	Rates	5/8*	Rates		5/8*	Rates	
Consumption					Increase		Increase	
-	\$	20.00	\$	25.50	27.50%	\$	20.00	0.00%
1,000		20.00		28.69	43.45%		21.77	8.85%
2,000		22.80		31.88	39.82%		23.54	3.25%
3,000		25.60		35.07	36.99%		25.31	-1.13%
4,000		28.40		38.26	34.72%		27.08	-4.65%
5,000		31.20		42.09	34.90%		29.73	-4.71%
6,000		34.00		45.92	35.06%		32.38	-4.76%
7,000		36.80		49.75	35.19%		35.03	-4.81%
8,000		39.60		53.58	35.34%		37.68	-4.85%
9,000		42.40		57.41	26.37%		40.33	-4.88%
7,085		37.04		53.00	43.10%		35.26	-4.81%
10,000		45.20		61.24	35.49%		42.98	-4.91%
11,000		48.00		65.71	36.90%		46.16	-3.83%
12,000		50.80		70.18	38.15%		49.34	-2.87%
13,000		53.60		74.65	39.27%		52.52	-2.01%
14,000		56.40		79.12	40.28%		55.70	-1.24%
15,000		59.20		83.59	41.20%		58.88	-0.54%
16,000		62.00		88.07	42.05%		62.06	0.10%
17,000		64.80		92.53	42.79%		65.24	0.68%
18,000		67.60		97.00	43.49%		68.42	1.21%
19,000		70.40		101.47	44.13%		71.60	1.70%
20,000		73.20		105.94	44.73%		74.78	2.16%
25,000		87.20		128.29	47.12%		90.68	3.99%
30,000		101.20		150.64	48.85%		106.58	5.32%
35,000		115.20		172.99	50.16%		122.48	6.32%
40,000		129.20		195.34	51.19%		138.36	7.11%
45,000		143.20		217.69	52.02%		154.28	7.74%
50,000		157.20		240.04	52.70%		170.18	8.26%
75,000		227.20		351.79	54.84%		249.68	9.89%
100,000		297.20		463.54	55.97%		329.18	10.76%

ICR WATER USERS ASSOCIATION
Docket No. W-2824A-07-0388
Test Year Ending December 31,2006

Amended Schedule CRM-22

REIMBURSED EXPENSES

Year 2006 reimbursed expenses allocation per Company

0.4056305

Account	Description	Amount Reimbursed	Amt. Allocated
	426 Misc Non Util Expense	\$1,141.86	\$ 463.17
	601 Accounting Expense	4,824.17	1,956.83
601-1	Accounting Extras	1,817.77	737.34
	618 Chemical	371.20	150.57
	620 Repairs & Maintenance	8,450.38	3,427.73
	621 Office Expense	1,256.06	509.50
	630 Outside Services	27,279.27	11,065.30
6301	Outside Services Other	519.47	210.71
	635 Testing	162.37	65.86
	657 Insurance	1,201.29	487.28
	675 Misc. Operating Expense	4,004.13	1,624.20
	760 Telephone	94.98	38.53
	Total	<u>\$ 51,122.95</u>	<u>\$20,737.03</u>

ICR WATER USERS ASSOCIATION
Docket No. W-2824A-07-0388
Test Year Ending December 31,2006

Amended Schedule CRM-23

GALLONS PUMPED

	<u>Golf Course</u> <u>Well one</u>	<u>Golf Course</u> <u>Well two</u>	<u>Company</u> <u>Well three</u>	<u>Total gallons</u>
Total gallons pumped	78,882,000	9,600,000	60,385,000	148,867,000
total gallons percentage allocation to each well	52.98824%	6.4487%	40.56305%	1.00

WATER GALLONS TO GOLF COURSE CALCULATION

Year 2006

	Golf Course Well one	Golf Course Well two	Company Well three	Total gallons pumped
Total gallons pumped	78,882,000	9,600,000	60,385,000	148,867,000

Total gallons sent by golf course 125,026,000 0.4056305

Well No. 1	78,882,000
Well No. 2	9,600,000

Well No. 3 to golf course 36,544,000 Tariff Rate amount

Less:1,000 gallons included in monthly minimum for 12 months. 12,000

Gallons subject to commodity rate. 36,532,000 36,532

Tariff Rate amount. Monthly Minimum \$1,000 12,000

Commodity rate \$2.80 per 1,000 gallons 102,290

Total due from golf course \$ 114,290

	Well No. 1		Well No. 2		Well No. 3	
						(000's)
Jan	2,166,000	2,166	226,000	226	3,613,000	3,613
Feb	2,043,000	2,043	178,000	178	3,806,000	3,806
Mar	1,191,000	1,191	-	-	2,583,000	2,583
Apr	7,045,000	7,045	130,000	130	3,135,000	3,135
May	17,557,000	17,557	2,046,000	2,046	7,255,000	7,255
Jun	13,769,000	13,769	5,490,000	5,490	9,608,000	9,608
Jul	6,670,000	6,670	759,000	759	7,207,000	7,207
Aug	10,378,000	10,378	242,000	242	5,205,000	5,205
Sep	6,951,000	6,951	69,000	69	5,007,000	5,007
Oct	4,580,000	4,580	215,000	215	7,231,000	7,231
Nov	3,860,000	3,860	224,000	224	2,794,000	2,794
Dec	2,672,000	2,672	21,000	21	2,941,000	2,941
Totals	78,882,000	78,882	9,600,000	9,600	60,385,000	60,385
	656,000	656	-	-	1,107,000	1,107
	1,083,000	1,083	2,000	2	1,382,000	1,382
	80,621,000	80,621	9,602,000	9,602	62,874,000	62,874

88,482,000

ICR WATER USERS ASSOCIATION
 Docket No. W-2824A-07-0388
 Test Year Ending December 31,2006

Amended Schedule CRM-25

PURCHASED POWER CALCUALTION

	Golf Course Well one	Golf Course Well two	Company Well three	Total gallons
Total gallons pumped	<u>78,882,000</u>	<u>9,600,000</u>	<u>60,385,000</u>	<u>148,867,000</u>
total gallons percentage allocation to each well	0.52988238	0.06448709	0.40563053	1.00
Total O&M expenses per ICR true up				\$ 60,674.99
Golf Course share of O&M expenses allocation of reimburse expenses per ICR	\$ 27,089.13	\$ 3,296.77	\$ 20,737.02	\$ 51,122.92
Allocation of total O&M expenses	<u>\$ 32,150.61</u>	<u>\$ 3,912.75</u>	<u>\$ 24,611.63</u>	<u>\$ 60,674.99</u>
O&M expenses decreased golf course wells	<u>\$ 5,061.47</u>	<u>\$ 615.99</u>		
O&M expenses increased ICR well does not include electric power purchased			<u>\$ 20,737.02</u>	
Electric Power allocation gallons pumped	<u>78,882,000</u>	<u>9,600,000</u>	<u>60,385,000</u>	<u>148,867,000</u>
Cost of electric power paid by golf course				\$53,623.00
Cost of electric power per 1,000 gallons of water pumped				0.00036021
Cost of electric power for well No. three			<u>\$21,751</u>	

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02824A-07-0388
ICR WATER USERS ASSOCIATION, AN)
ARIZONA CORPORATION, FOR)
DETERMINATION OF THE CURRENT FAIR)
VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES FOR UTILITY)
SERVICES)
_____)

AMENDED

DIRECT

TESTIMONY

OF

JIAN W. LIU

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 14, 2008

TABLE OF CONTENTS

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INTRODUCTION	1
ARIZONA CORPORATION COMMISSION (“ACC”) COMPLIANCE:	1

EXHIBIT

MR. BRIAN K. BOZZO’S MEMORANDUM.....	EXHIBIT 1
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EXECUTIVE SUMMARY
ICR WATER USERS ASSOCIATION
DOCKET NO. W-02824A-07-0388

Staff has determined that ICR Water Users Association (“ICR” or “Company”) did not achieve compliance as outlined and required in Decision No. 64360 (See Attached Exhibit 1 Mr. Brian K. Bozzo’s Memorandum dated January 15, 2008). Therefore, Staff recommends that any increase in rates and charges approved in this proceeding shall not become effective until the month after ICR submits documentation to Docket Control verifying that the Company has achieved total compliance with Decision No. 64360.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Jian W. Liu. My job title is Water/Wastewater Engineer. My place of
4 employment is the Arizona Corporation Commission (“Commission”), Utilities Division,
5 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Jian W. Liu who filed Direct Testimony in this case?**

8 A. Yes, I am.

9
10 **Q. What is the purpose of your Amended Direct Testimony in this proceeding?**

11 A. The purpose of my Amended Direct Testimony in this proceeding is to present Utilities
12 Division Staff’s (“Staff”) finding of non-compliance with Decision No. 64360 for ICR
13 Water users Association (See Mr. Brian K. Bozzo’s Memorandum dated January 15,
14 2008, regarding the Company’s compliance with prior Commission orders).

15
16 **ARIZONA CORPORATION COMMISSION (“ACC”) COMPLIANCE:**

17 **Q. What is Staff’s finding according to its Memorandum dated January 15, 2008?**

18 A. This Memorandum states the following: “Staff has conducted a current review of the
19 Company’s March 7, 2003, filing relating to the transfer of the ownership of the wells.
20 Specifically, Staff reviewed Exhibit A, the “First Amendment to the Main Extension
21 Agreement” (“First Amendment Agreement”) within the filing and compared it to the
22 requirement outlined in Decision No. 64360. Upon inspection of the First Amendment
23 Agreement, Staff determined that the Company has not complied with the well
24 ownership transfer issue as ordered by the Commission.

25

1 As outlined in Decision No. 64360, the Company was given 365 days to include the
2 wells in the MXA and “file a copy of the relevant documents transferring ownership of
3 the wells and related water production facilities to ICR”. The decision required the
4 Company to transfer two wells within that timeframe. Staff compared this requirement
5 with the actions of the Company in this regard as highlighted in the First Amendment
6 Agreement document. A closer inspection of the “Transfer of Ownership” section
7 (Section 1 (c)) of the First Amendment Agreement shows that the language calls for the
8 second well to be transferred “on or before the date that the Company provides water
9 service to the 800th single-family residence”. This qualification on the timing of transfer
10 for the second well is contrary to the specific language and the intent of Decision No.
11 64360.

12
13 There is no doubt that Decision No. 64360 required the transfer of the second well, as
14 Finding of Fact 20 clearly states that “Harvard will utilize the second well as a back-up
15 emergency well”. Further, the due date applied by the Commission on the transfer of the
16 wells was a specific date which did not include any variable element. Staff saw nothing
17 in its current review to indicate that the Commission’s intent was to base the due date on
18 any specific level of construction or number of residential customers served. Rather, the
19 Commission imposed due date was based on an actual and specific calendar date.

20
21 Based on all of the above, Staff has determined that the First Amendment Agreement did
22 not result in the timely transfer of two wells to ICR and therefore the Company did not
23 achieve compliance as outlined and required in Decision No. 64360. This memorandum
24 has been docketed to correct previous information provided to Engineering Staff and to
25 communicate to the parties Staff’s determination that the Company is not in compliance
26 with the Commission’s requirement relating to the transfer of the two wells.”

1 **Q. Are you proposing any changes to your Direct Testimony because of this**
2 **Memorandum?**

3 A. Yes, Staff now recommends that any increase in rates and charges approved in this
4 proceeding shall not become effective until the month after ICR submits documentation to
5 Docket Control verifying that the Company has achieved total compliance with Decision
6 No. 64360.

7

8 **Q. Does this conclude your Amended Direct Testimony?**

9 A. Yes, it does.

ORIGINAL

EXHIBIT 1

MEMORANDUM

RECEIVED

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TO: Docket Control Center
FROM: Brian K. Bozzo *BKB*
Manager, Compliance and Enforcement
Utilities Division

2008 JAN 15 A 11: 26

Arizona Corporation Commission
DOCKETED

JAN 15 2008

AZ CORP COMMISSION
DOCKET CONTROL

DATE: January 15, 2008

DOCKETED BY *[Signature]*

RE: ICR WATER USERS ASSOCIATION, INC. - COMPLIANCE REQUIREMENT
TRANSFER ISSUE OF WELLS FROM HARVARD SIMON I, L.L.C. TO UTILITY
PER DECISION NO. 64360. (DOCKET NO. W-02824A-01-0450)

In Decision No. 64360, dated January 15, 2002, the Arizona Corporation Commission ("A.C.C." or "Commission") approved the application of ICR Water Users Association, Inc. ("ICR" or "Company") for an extension of its Certificate of Convenience and Necessity ("CC&N"). In issuing its decision, the Commission ordered the Company to provide a filing relating the advance of certain wells from Harvard Simon I, L.L.C.

Specifically, Decision No. 64360 ordered the following:

"...as an additional condition for the extension of the Certificate herein, as part of the Agreement, Harvard should include in its advance, the wells which it has drilled for the purpose of providing water to the extension area described in Exhibit A to ensure that the utility has adequate water for its customers and to ensure that they are not subject to relying for their water on a third party over which the Commission lacks jurisdiction."

"We believe that this additional condition can be met by amending the Agreement between the parties and we shall require ICR to file a copy of the relevant documents transferring ownership of the wells and related water production facilities to ICR within 365 days of the effective date of this Decision ..."

The original due date for this item was January 15, 2003. The Company requested a sixty day extension of time to comply and was granted, via Procedural Order of the Commission, until March 12, 2003, to comply with the above requirement.

On March 7, 2003, the Company filed a document titled "ICR Water Users Association, Inc. Notice of Compliance" which purported compliance with the above requirement. The filing was formatted as a compliance filing, referred to amending the advance/main extension agreement ("MXA") as ordered in the decision above, and specifically amended the "Off-Site Facilities" section of the MXA to include the two production wells. The item was marked as complied in the Compliance database and has continued to maintain that classification. As it was marked as complied in the database, this item did not register as a delinquency during a recent compliance

check requested by Engineering Staff. Staff subsequently communicated that this item was not delinquent and Engineering Staff relied on this information in a November 30, 2007 Engineering Report filed in relation to a current rate case.

Staff has conducted a current review of the Company's March 7, 2003 filing relating to the transfer of the ownership of the wells. Specifically, Staff reviewed Exhibit A, the "First Amendment to the Main Extension Agreement" ("First Amendment Agreement") within the filing and compared it to the requirement outlined in Decision No. 64360. Upon inspection of the First Amendment Agreement, Staff determined that the Company has not complied with the well ownership transfer issue as ordered by the Commission.

As outlined in Decision No. 64360, the Company was given 365 days to include the wells in the MXA and "file a copy of the relevant documents transferring ownership of the wells and related water production facilities to ICR". The decision required the Company to transfer two wells within that timeframe. Staff compared this requirement with the actions of the Company in this regard as highlighted in the First Amendment Agreement document. A closer inspection of the "Transfer of Ownership" section (Section 1 (c)) of the First Amendment Agreement shows that the language calls for the second well to be transferred "on or before the date that the Company provides water service to the 800th single-family residence". This qualification on the timing of transfer for the second well is contrary to the specific language and the intent of Decision No. 64360.

There is no doubt that Decision No. 64360 required the transfer of the second well, as Finding of Fact No. 20 clearly states that "Harvard will utilize the second well as a back-up emergency well". Further, the due date applied by the Commission on the transfer of the wells was a specific date which did not include any variable element. Staff saw nothing in its current review to indicate that the Commission's intent was to base the due date on any specific level of construction or number of residential customers served. Rather, the Commission imposed due date was based on an actual and specific calendar date.

Based on all of the above, Staff has determined that the First Amendment Agreement did not result in the timely transfer of two wells to ICR and therefore the Company did not achieve compliance as outlined and required in Decision No. 64360. This memorandum has been docketed to correct previous information provided to Engineering Staff and to communicate to the parties Staff's determination that the Company is not in compliance with the Commission's requirement relating to the transfer of the two wells.

EGJ:BKB:lhv

Originator: Brian K. Bozzo

Attachment

SERVICE LIST FOR: ICR WATER USERS ASSOCIATION, INC.
DOCKET NO. W-02824A-01-0450

Mr. Thomas H. Campbell
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Mr. Robert Metli
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ICR Water Users Association, Inc.
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Prescott, Arizona 86305

Mr. Jay Shapiro
Ms. Karen E. Errant
Fennemore Craig
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913
Attorneys for Harvard Simon I, L.L.C.

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

Mr. Christopher C. Kempley
Chief Counsel, Legal 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

ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION

MAR - 7 P 4:39

AZ CORP COMMISSION
DOCUMENT CONTROL

MARC SPITZER
Chairman

Arizona Corporation Commission

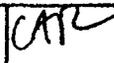
JIM IRVIN
Commissioner

DOCKETED

WILLIAM A. MUNDELL
Commissioner

MAR - 7 2003

MIKE GLEASON
Commissioner

DOCKETED BY 

JEFF HATCH-MILLER
Commissioner

IN THE MATTER OF THE APPLICATION
OF ICR WATER USERS ASSOCIATION,
INC. FOR AN EXTENSION FOR ITS
CERTIFICATE OF CONVENIENCE AND
NECESSITY

Docket No: W-02824A-01-0450

ICR WATER USERS
ASSOCIATION, INC.'S
NOTICE OF COMPLIANCE

On June 1, 2001, ICR Water Users Association, Inc. ("ICR") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide public water utility service to various parts of Yavapai County. That application included a copy of the Main Extension Agreement with Harvard Simon I, L.L.C. ("Harvard") dated March 5, 2001.

On January 15, 2002, the Commission issued Decision No. 64360, granting ICR's request for an extension of its CC&N, subject to certain conditions. These conditions are:

1. That ICR file with the Director of the Commission's Utilities Division within 365 days of the effective date of Decision No. 64360:

1 a. a copy of the developer's water adequacy report for Phase I which is
2 to be issued by the Arizona Department of Water Resources;

3 b. a copy of the developer's Certificate of Approval to Construct with
4 the appropriate main extension agreement;

5 c. a copy of ICR's Yavapai County franchise for the extension area; and

6 d. an amended agreement between ICR and Harvard which provides that
7 ownership of the wells which Harvard has drilled for the purpose of providing water to the
8 extension area be transferred to ICR.

9 On June 14, 2002, Intervenor Harvard filed a copy of the water adequacy
10 report for Phase I of Talking Rock Ranch, issued by the Arizona Department of Water
11 Resources.

12 On January 13 2003, ICR filed with the Commission the developer's
13 Approval to Construct and ICR's franchise agreement with Yavapai County. ICR also
14 requested an extension of sixty (60) days from the January 15, 2003 deadline to file an
15 amendment to its Main Extension Agreement with Harvard providing, in part, for the
16 advance of production wells from Harvard to ICR, and to file a copy of the relevant
17 documents transferring ownership of the production wells from Harvard to ICR as
18 required by Commission Decision No. 64360.

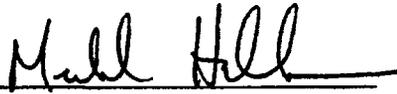
19 In a Procedural Order dated March 3, 2003, the Administrative Law Judge
20 granted that extension.

21 ICR hereby submits a copy of the First Amendment to Main Extension
22 Agreement dated February 25, 2003, attached as Exhibit A, and the amended Well
23 Agreement dated February 25, 2003, attached as Exhibit B.

24
25
26

1 RESPECTFULLY SUBMITTED this 7th day of March, 2003.

2 LEWIS AND ROCA LLP

3
4 By: 

5 Thomas H. Campbell

6 Michael T. Hallam

7 40 N. Central Avenue

8 Phoenix, Arizona 85004

9 Attorneys ICR Water Users Association, Inc.

10 Original and thirteen (13) copies of
11 the foregoing hand-delivered
12 this 7th day of March, 2003, to:

13 ARIZONA CORPORATION COMMISSION
14 Docket Control
15 1200 W. Washington Street
16 Phoenix, Arizona 85007

17 Copy of the foregoing hand-delivered
18 this 7th day of March, 2003, to:

19 Marc E. Stern, Administrative Law Judge
20 Hearing Division
21 ARIZONA CORPORATION COMMISSION
22 1200 W. Washington Street
23 Phoenix, Arizona 85007

24 Patrick Williams, Compliance Manager
25 Utilities Division
26 ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

Ernest Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

LEWIS
AND
ROCA
LLP
LAWYERS

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Copy of the foregoing mailed
this 7th day of March, 2003, to:

Jay Shapiro
Patrick Black
FENNEMORE CRAIG
3003 N. Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913
Attorneys for Harvard Simon I, L.L.C.



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EXHIBIT A

FIRST AMENDMENT TO MAIN EXTENSION AGREEMENT

25th THIS FIRST AMENDMENT TO MAIN EXTENSION AGREEMENT is made this day of February, 2003, by and between ICR WATER USERS ASSOCIATION, an Arizona public service corporation ("Company"), and HARVARD SIMON I, L.L.C., an Arizona corporation ("Developer"), for the purposes and consideration hereinafter set forth.

RECITALS

A. Company and Developer previously entered into that certain Main Extension Agreement, dated March 5, 2001 ("the Agreement"), pertaining to the extension of water utility service to 3470 acres of real property generally situated in Yavapai County, Arizona ("the Property").

B. Subsequent to execution of the Agreement, on January 15, 2002 the Arizona Corporation Commission ("Commission") issued Decision No. 64360 extending Company's CC&N conditioned upon Developer transferring ownership of certain wells and related water production facilities to the Company.

C. Based on the Commission's Order, the parties desire to amend and modify certain provisions of the Agreement, as set forth below.

NOW, THEREFORE, in consideration of the following covenants and agreements, and other good and valuable consideration, Company and Developer hereby agree to amend the Agreement, as follows:

1. Amendment to Agreement.

(a) Off-Site Facilities. Paragraph 1(a) of the Agreement is amended to provide that the "Facilities" include two production wells that have been installed and constructed by Developer and are described as Production Well 3 and Production Well 2 in that Well Agreement to be executed by Company, Developer and Talking Rock Golf, L.L.C. concurrently with the execution of this Agreement (the "Well Agreement"). A Revised Exhibit "C" reflecting the actual costs of the two production wells is attached hereto and incorporated herein by this reference.

(b) Utility's Use of the Facilities. Paragraph 1(b) of the Agreement is amended to provide that Company covenants and agrees that Company shall use and operate the production wells installed and constructed by Developer and transferred to Company pursuant to the Well Agreement only in accordance with the use restrictions contained in the Well Agreement and the conditions and restrictions contained in that Special Warranty Deed from Bluegreen West Corporation to Talking Rock Land dated January 26, 2001 and recorded on January 26, 2001 in book 3807, page 626, records of Yavapai County, Arizona, pursuant to which Developer's affiliate acquired the location of the production wells.

(c) Transfer of Ownership. Paragraph 5(a) of the Agreement is amended to provide that, pursuant to the Well Agreement, (i) immediately after the approval of this First

Amendment by the Commission or its staff, Developer will transfer and convey Production Well 3 to the Company, via Bill of Sale in form attached to the Well Agreement; and (ii) on or before the date that the Company provides water service to the 800th single-family residence at the Property, Developer's affiliate, Talking Rock Golf, will transfer and convey Production Well 2 to the Company, via Bill of Sale in form attached to the Well Agreement. All other Facilities shall be conveyed in accordance with the terms of the Agreement.

(d) Determination of Amount of Developer Advances. Paragraph 8 of the Agreement is amended to provide that the actual costs of Production Well 3 and Production Well 2, including all equipment, pumps, motors, valves, pipes, electrical system and other appurtenances installed and constructed by Developer and transferred and conveyed by Developer or by Talking Rock Golf to Company, shall constitute an advance in aid of construction and shall be refundable to Developer in accordance with paragraph 9 of the Agreement.

(e) Agreement Submission. Paragraph 13(a) of the Agreement is amended to provide that the Company shall be responsible for promptly seeking Commission approval of this First Amendment.

2. Inconsistencies; Governing Agreement. With regard to Production Well 3 and Production Well 2, in the event of any inconsistencies between the terms and provisions of the Well Agreement and the terms and provisions of the Agreement, the terms and provisions of the Well Agreement shall govern and prevail.

3. Effect on the Agreement. Except as otherwise expressly provided herein, all terms, covenants and conditions of the Agreement shall remain in full force and effect and be binding upon the parties.

IN WITNESS WHEREOF, ICR WATER USERS ASSOCIATION and HARVARD SIMON I, L.L.C., have caused this First Amendment to Main Extension Agreement to be executed on their behalf by their duly authorized representatives as of the day and year first above written.

ICR WATER USERS ASSOCIATION

By 
Joyce McGraine, President

HARVARD SIMON I, L.L.C., an Arizona limited liability company,

By: Harvard Talking Rock, L.L.C.
Its Operating Member

By: Harvard Investments, Inc., an
Nevada corporation
Its Manager

By 
Its President

PHX/MGALLOGL/1257894.3/47094.005