



0000084542

ORIGINAL BEFORE THE ARIZONA CORPORATION COMMISSION

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RECEIVED

- 1 MIKE GLEASON, Chairman
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- 3 WILLIAM A. MUNDELL, Commissioner
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- 5 JEFF HATCH-MILLER, Commissioner
- 6
- 7 KRISTIN K. MAYES, Commissioner
- 8
- 9 GARY PIERCE, Commissioner

2008 MAY 20 A 10:00

AZ CORP COMMISSION
DOCKET CONTROL

DOCKET NO. W-02824A-07-0388

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

I would like to make the following comments regarding NOTICE OF FILING STATUS
REPORT, Docket No. W-02824A-07-0388, 0000084895.

In verifying documents, I noticed that the date on Docket No. W-02824A-07-0388,
0000084895, page 1, line 18, is April 23 for the LOU. The LOU received by the ICRWUA
shareholders via US mail is dated April 18, 2008. Since I am not privy to the one dated April
23, the first question would be, "Were changes made?"

Per the same document (Docket No. W-02824A-07-0388, 0000084895), page 1, line
17, am I incorrect in assuming that "the parties" who "reached an agreement" should have
included me?

My next concern lies in the term "Special Contract" (page 1, line 20). Where did this
term originate? Is it a look-alike to the Well Agreement? Is it, too, going to circumvent
Decision 64360? Is this what you mean when you say it will "amend other existing
agreements" (page 1, line 21-22)?

The LOU dated April 18, 2008, uses the following terms, which need
clarification/definition:

- Special contract
- Supply contract
- AIAC

Arizona Corporation Commission

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1 CIAC

2 We also need explanation regarding:

3 Implications of AIAC

4 Implications of CIAC

5 The following are additional concerns regarding the LOU:

- 6 • It is too specific and appears to leave little room for negotiation.
- 7 • It circumvents Decision 64360 in that:
 - 8 ○ It doesn't follow 64360 tariffs and,
 - 9 ○ It doesn't define TRGC as a customer subject to regulation by the ACC.
- 10 • It entitles Talking Rock Golf Club (TRGC) to a maximum of 525 acre-feet of water
- 11 per year. Where is this allocation of water to be utilized?
- 12 • It declares the commodity charge for the first year of \$125,000, which doesn't cover
- 13 expenses. The charge needs to be subject to negotiation.
- 14 • It decreases the System Reservation charge to zero after ten (10) years. Increased
- 15 effluent will not be sufficient to offset the existing golf course water requirement. Its
- 16 reduction should be based on population growth and actual income from TRGC.
- 17 • It lacks definition of what constitutes TRGC's pro rata share of "subject" operating
- 18 and depreciation cost.
- 19 • It does not define what a tariff rate will be for water that is not accounted for.
- 20 • It should provide the terms of the supply contract to be subject to ACC review
- 21 concurrent with and as part of any Company request for a rate review.
- 22 • It does not show the value/extent/percent of the "appropriate reserve margin"?
- 23 • It restricts the Company's use of water from wells transferred to it by TRGC to serve
- 24 only its customers in the Talking Rock subdivision and to meet the water
- 25 requirements of the undefined "supply agreement."
- 26 • Nothing indicates that land associated with the wells shall be transferred to the
- 27 Company along with the wells. The Company's ownership of the water from the
- 28 wells has to be stated clearly.
- 29 • The Company needs to make sure that its membership understands that the LOU is
- 30 non-binding and that its terms and conditions are subject to negotiation and approval
- 31 by all parties.

32 Next is an email Robert Metli sent on May 2, 2008. Please especially note the final

33 sentence underscored below.

1 **From:** "Metli, Robert" <rmetli@swlaw.com>
2 **Date:** May 2, 2008 3:53:32 PM MST
3 **To:** "Dayne Taylor" <daymartay@cableone.net>, "SHAPIRO, JAY"
4 <JSHAPIRO@FCLAW.COM>, KTorrey@azcc.gov
5 **Cc:** "Crockett, Jeff" <jcrockett@swlaw.com>, "Shuman, Marcie" <mshuman@swlaw.com>
6 **Subject: Letter of Understanding and supporting Schedules**

7 Parties of Record: Attached please find the Letter of Understanding entered into between
8 ICR Water Users Association and Talking Rock Golf Course. In addition we have prepared
9 a Comparison of Rates cover sheet as well as Settlement Schedules A-1, C-1, C-2, H-1- H-
10 4 for your review. After you have had an opportunity to review, we would like to set up a
11 meeting with all of the parties to discuss the LOU and revised rate schedules as well as an
12 agreed upon procedural schedule to move the case forward. In addition, ICR will be
13 providing copies of this package to all members of the ICR Water Users Association and
14 plan a meeting with them to review and discuss the terms of the settlement proposal.
15 If you have any questions, please do not hesitate to contact me.

16 **Robert J. Metli**
17 Snell & Wilmer L.L.P.
18 One Arizona Center
19 400 East Van Buren
20 Phoenix, AZ 85004-2202
21 (602) 382-6568 (Direct)

22
23 The next email is a response to the LOU mentioned above. It clearly expresses my
24 sentiments, obviously shocked that such a proposal would be presented. My email was
25 totally ignored, despite Mr. Metli's closing statement above, and they proceeded as though
26 the acceptance of the LOU was close to being resolved.

27 **From:** daymartay@cableone.net
28 **Subject: Re: Letter of Understanding and supporting Schedules**
29 **Date:** May 4, 2008 8:58:59 PM MST
30 **To:** rmetli@swlaw.com
31 **Cc:** JSHAPIRO@FCLAW.COM, KTorrey@azcc.gov, jcrockett@swlaw.com,
32 mshuman@swlaw.com
33 Mr. Metli,

1 I appreciate your effort to provide the Letter of Understanding (LOU) dated April 18, 2008,
2 to me on Friday, May 2, 2008.

3 I immediately provided email copies to a few of the concerned residents, all of whom you
4 and Mr. Crockett had conversation with after the April 16, 2008, Arizona Corporation
5 Commission (ACC) Hearing.

6 Personally, I am appalled at the content of the LOU in that it focuses on a "Special
7 Contract" rather than addressing the outstanding items of concern in Decision 64360.

8 The ICRWUA and TRGC previously entered into "The Well Agreement" that circumvents
9 the authority of the ACC for setting tariff. Now your Cost of Service study is clear in stating
10 Harvard is exempt from construction water tariff, again circumventing the ACC regarding
11 tariff.

12 The Cost of Service study also centers heavily on the TRR side of the ICRWUA, not
13 Inscription Canyon Ranch, Preserve at the Ranch, or Whispering Canyon. It also neglects
14 to define if TRGC is or is not a customer of the ICRWUA. If it is, you neglected to respond
15 to the equitable tariff rates in Decision 64360.

16 Is not ICRWUA to be accountable to the ACC as to how the not-for-profit corporation is
17 operated?

18 RESPECTFULLY submitted this 19th day of May, 2008,

19 Dayne Taylor, Intervener
20 13868 North Grey Bears Trail
21 Prescott, AZ 86305



22
23 **Original and thirteen (13) copies** of the foregoing
24 were mailed this 19th day of May, 2008 to:
25 Docket Control
26 Arizona Corporation Commission
27 1200 West Washington Street
28 Phoenix, Arizona 85007
29 **COPY** of the foregoing mailed this 19th day of
30 May 2008 to:
31 Robert Metti
32 Snell & Wilmer, L.L.P.
33 One Arizona Center
34 400 East VanBuren Street
35 Phoenix, AZ 85004-2202

36 Attorneys for ICR Water Users Association,
37 Inc.
38 **COPY** of the foregoing mailed this 19th day of
39 May 2008 to:
40 Jay Shapiro
41 3003 North Central, Suite 2600
42 Phoenix, AZ 85012-2913
43 Attorney for Talking Rock Golf Club
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