

W-02824A-07-0388



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ARIZONA CORPORATION COMMISSION  
UTILITY COMPLAINT FORM

ORIGINAL

RECEIVED

Investigator: Trish Meeter

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Opinion No. 2008 70825

Date: 8/19/2008

Complaint Description: 08A Rate Case Items - Opposed  
N/A Not Applicable

Complaint By: First: Reid/Stoner Last: Reid/Stoner

Account Name: Reid/Stoner Home: [REDACTED]

Street: [REDACTED] Work: [REDACTED]

City: Prescott CBR: [REDACTED]

State: AZ Zip: 86305 is: [REDACTED]

Utility Company: ICR Water Users Association

Division: Water

Contact Name: [REDACTED] Contact Phone: [REDACTED]

Nature of Complaint:

REFERRED FROM CHAIRMAN GLEASON'S OFFICE \*\*\*\*\*DOCKET NO. W-02824A-07-0388

From: Jerome Reid [REDACTED]  
Sent: Wednesday, August 13, 2008 6:48 PM  
To: Gleason-WebEmail; Mundell-Web; Mundell-Web; Hatch-WebEmail; Pierce-Web  
Cc: Jimmy Stoner; Chris Stoner  
Subject: Docket No. W-02824A-07-0388; ICR Water Users Association

Arizona Corporation Commission  
DOCKETED  
AUG 21 2008

Chairman Gleason and Commissioners Mayes, Mundell, Hatch-Miller, and Pierce:

DOCKETED BY [Signature]

The purpose of this email is to follow up our July 25 email to the Commission with suggested changes to the ICR Water Users Association ("ICRWUA" or "Company") articles of incorporation and bylaws to achieve fair and reasonable management of the Company by a Board of Directors ("Board") who are actual residents of the service area and who constitute proportional representation of the communities within the service area. In the July 25 email we proposed 3 alternative solutions to the outstanding issues in this rate case, including compliance with Decision 64360. We proposed these alternative solutions because currently the Company's Board is essentially negotiating with itself by virtue of the fact that the Board is controlled by Talking Rock Ranch ("TRR") residents and lot owners and they are negotiating with Harvard Investments, the developer of TRR. As one might expect in these circumstances, the only "solution" yet produced by this process is extremely favorable to Harvard Investments and unacceptable to the residential communities served. Furthermore, the Board is failing in a profound way to fulfill its fiduciary duty to the owner/residents, i.e., the Board is not representing the interests of all the owner/residents. It is currently in negotiations with only one of the other 3 parties to this rate case (intentionally excluding the intervener Mr. Dayne Taylor), in clear contravention of

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Judge Stern's admonition that all 4 parties must agree to any settlement.

The current corporate organization and governance of the Company is based on articles and bylaws adopted on October 24, 1994 by the original Company Board of Directors, Inscription Canyon Ranch ("ICR") developer, Swayze McCrain ("SM"), Katherine McCrain (wife), and William Gary (father-in-law). Those documents were adapted from another SM development (Granite Oaks), which did not and does not have the issues this Company faces, i.e., two separate water systems (that cannot be connected), with one serving residential customers and the other serving a gated, residential community with a private golf course. These bylaws have been amended 5 times, most recently December 27, 2007 to conform the bylaws to Internal Revenue Service requirements for 501c(12) non-profit organizations. The Company Board is now made up of 5 Directors: two are resident in TRR; one is a developer/builder in TRR who does not live in the Company service area; one is a long time Director resident in Inscription Canyon Ranch ("ICR") with a clear bias in favor of TRR; and, one is a resident of ICR.

We propose that the Company's articles of incorporation be amended to provide for a 7 member Board. We also propose that the Company bylaws be changed to provide for the election of the 7 Board members from among the communities served based on the number of owner/residents in each community. For example, if a community has 65 of the 100 total owner/residents in the entire service area, that community would be allocated 4 of the 7 Director positions. A Board member candidate would have to qualify as an owner/resident, which would be defined as any person whose legal domicile is their property in the Company service area. This would preclude the current situation of a Board member owning property in TRR, but being domiciled outside the Company service area.

Alternative Solution #1 in our July 25 email would require that the Main Extension Agreement be declared null and void. In the case of Alternative Solutions #2 and #3, there would be a single company with two separate water systems and 2 separate tariff structures. In these cases, we propose that the corporate governance documents provide for two permanent subcommittees of the Board, one to manage the water system on the east side of Williamson Valley Road (TRR; ADEQ #13-263) and the other to manage the water system on the west side of Williamson Valley Road (ICR, Whispering Canyon, & the Preserve; ADEQ #13-303). Each of these subcommittees would be headed by a Board member domiciled in the service area managed by that subcommittee and the entire Board would be responsible for reviewing and approving the reports and recommendations of each permanent subcommittee, including the financial data and rate base calculations.

We believe these changes would correct a lot of the difficulties and problems currently being encountered by the Company in this rate case. We feel compelled to make these proposals to you because the current Company Board is not acting in the best interests of all the residents. In our opinion we believe the delaying tactics currently being engaged in by the Board have placed the Company in a position of insolvency and continue to jeopardize the Company's financial position. These tactics appear only to serve the financial interests of Harvard Investments in its desire to carry on "business as usual".

We plead with the Commission to expedite the resolution of the issues in this case to protect the interests of those who purchased a home in the Company service area in partial reliance on the seller's representation that there is a 100 year proven water supply for the service area. If the golf course is permitted to continue pumping 130+ million gallons of ground water per year to irrigate a private golf course with minimal use, the 100 year

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water supply representation becomes questionable. Bringing this rate case to a fair and reasonable resolution would likely be aided by the Commission holding a public hearing or community meeting in Prescott, which would allow the Commissioners to hear from the community on the issues presented in this rate case.

Respectfully submitted,

Jerome Reid

[REDACTED]

Prescott, AZ 86305

[REDACTED]

Chris & Jimmy Stoner

[REDACTED]

Prescott, AZ 86305

[REDACTED]

\*End of Complaint\*

**Utilities' Response:**

**Investigator's Comments and Disposition:**

Additional comments from users.

\*End of Comments\*

**Date Completed: 8/19/2008**

**Opinion No. 2008 - 70825**

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