



0000090400

BEFORE THE ARIZONA CORPORATION COMMISSION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54

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

ORIGINAL

RECEIVED

2008 NOV 14 P 1:21

AZ CORP COMMISSION
DOCKET CONTROL

**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**

DOCKET NO. W-02824A-07-0388
NOTICE OF FILING
**ADDITIONAL SUPPLEMENTAL
TESTIMONY OF DAYNE TAYLOR
OPPOSING THE REQUEST FOR THE
WATER SERVICE AGREEMENT (WSA)**

ORIGINAL and THIRTEEN (13) copies hand-delivered this 14th day of November, 2008, to:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

COPY of the foregoing hand-delivered this 14th day of November, 2008, to:

Jeffrey W. Crockett
Snell and Wilmer
One Arizona Center
Phoenix, AZ 85004-2202
Attorney for ICRWUA

Jay L. Shapiro
Fennemore Craig
3003 N Central Avenue, Suite 2600
Phoenix, AZ 85012-2913
Attorney for TRGC

Arizona Corporation Commission
DOCKETED

NOV 14 2008

DOCKETED BY

Respectfully submitted this 14th day of November, 2008

Dayne Taylor
Intervener
13868 N Grey Bears Trail
Prescott, AZ 86305-1516

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

INTRODUCTION AND BACKGROUND

Please state your name and address.

My name is Dayne Taylor. My address is 13868 North Grey Bears Trail, Prescott, AZ, 86305. I was granted intervener status by Judge Marc Stern on January 8, 2008.

Have you previously submitted testimony in this proceeding?

I have—Direct Testimony dated January 29, 2008, and Surrebuttal dated April 1, 2008.

How are you involved in the local community?

I moved to Inscription Canyon Ranch subdivision in 2001. In December 2008, I begin a second four-year term with the ICR Sanitary District board. From April 2005 to December 2006, I served as Board Chairman. Also, in an unofficial capacity, I have been involved in various efforts of both the Board of Directors of the ICRWUA and the ICR Sanitary District.

What is the purpose of your additional supplemental testimony?

The Water Service Agreement was negotiated and compiled by the Talking Rock Parties and the ICRWUA Board without my input even though Judge Marc Stern said these discussions should include me. These negotiations resulted in yet another "Agreement" that circumvents Decision 64360. I am presenting evidence of the inconsistencies and inaccuracies as set forth in the Water Service Agreement.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

RESPONSE TO THE WATER SERVICE AGREEMENT

- ACC = Arizona Corporation Commission
- Harvard = Harvard Simon L.L.C.
- ICR Board = ICRWUA ICR Board of Directors
- ICRWUA = Inscription Canyon Ranch Water Users Association
- MXA = Main Extension Agreement
- Staff = Arizona Corporation Commission Staff
- TR = Talking Rock
- TRGC = Talking Rock Golf Club, L.L.C.
- TR Parties = Harvard, Talking Rock Land, L.L.C., and TRGC, collectively
- WA = Well Agreement
- WSA = Water Service Agreement

I, intervener Dayne Taylor, hereby file my response to the WSA entered into between ICRWUA, Inc., Harvard Simon I, L.L.C., Talking Rock Land, L.L.C., and Intervener TRGC, L.L.C. on September 12, 2008. My response is attached hereto as Attachment A. It includes, with the permission of the submitter, statements originally made in Docket No. W-02824A-07-0388, Bar Code 0000088862 on September 23, 2008.

BACKGROUND

On June 26, 2007, ICRWUA filed with the ACC an application for an increase in its permanent rates and charges.

On August 9, 2007, a Procedural Order was issued scheduling a hearing on January 8, 2008.

On January 8, 2008, a full public hearing was convened. At that time, I, as a customer of ICRWUA, was granted intervention claiming, among other things, that ICRWUA had failed to comply with some of the requirements imposed by Decision 64360. Among the principal issues being reviewed by the ACC as a result of my intervention are: 1) whether the rate that TRGC is paying ICRWUA for water the latter delivers from its wells for irrigation of the golf course is the rate required by the 2002 Decision 64360; and, 2) whether Harvard appropriately transferred two wells (that it had drilled for the purpose of supplying water to the TR sub-division) to ICRWUA as required by Decision 64360, thereby giving ICRWUA ownership and control of its own water supply with which to

1 meet the domestic demand of the sub-division. Harvard ultimately transferred two wells, but they are not the correct
2 wells.

3 On February 15, 2008, Staff filed a Motion for an Extension of Time until March 14, 2008, in which to file
4 any amended testimony or an amended Staff Report.

5 On March 14, 2008 Staff filed amended testimony to the rate case stating that ICRWUA had failed to
6 charge the ACC-approved rate for water delivered to the golf course in the rate case test year (2006). According to
7 Staff, this failure resulted in lost income to ICRWUA of \$114,290. If Staff's amended testimony is adopted by the
8 ACC, ICRWUA would have failed to charge TRGC the correct rate from 2003, when ICRWUA first began supplying
9 water to the golf course, to the present time, thereby resulting in a loss of several hundreds of thousands of dollars
10 or more to ICRWUA.

11 Staff also filed additional amended testimony on March 14, 2008 stating that ICRWUA had not complied
12 with the requirement for transferring well ownership. Initially the non-compliance issue related to the timing of the
13 transfer of the second well, but it has apparently grown to include a concern related to whether improper constraints
14 were placed on the amount of water that ICRWUA may withdraw from the two transferred wells; and, it may also
15 include the question of whether the appropriate wells were transferred.

16 Slightly more than two weeks after the filing of Staff's amended testimony, TRGC on April 3, 2008 asked for
17 and was granted intervener status in the rate case on the basis that it had a direct and substantial interest in the
18 proceeding. On April 16, 2008 ICRWUA asked for a delay in the rate case to allow ICRWUA and TRGC time to
19 negotiate an agreement that reportably would address the compliance issues and other issues that have surfaced
20 during the rate case.

21 On September 12, 2008 ICRWUA docketed an agreement with the ACC between them and TR Parties.
22 ICRWUA stated that the agreement, now known as the WSA is intended to: (1) resolve and settle the parties'
23 respective concerns over existing agreements and compliance with Decision 64360; (2) supersede, replace and
24 terminate any and all existing agreements between the parties, except for certain provisions specifically identified
25 herein; and (3) govern the parties' relationship from the time of final ACC approval, if obtained, until the expiration of
26 the WSA according to its express terms and conditions.

27 Although Judge Stern required my involvement in the potential agreement, stating that the agreement could
28 not simply be between ICRWUA and TRGC, I was rebuffed by the ICR Board in my attempts to participate and had
29 no involvement whatsoever until the ICR Board Counsel, Mr. Crockett, sent me an email of the WSA on August 29,
30 2008. Although it was referred to as a "draft," it is essentially the same agreement docketed by ICRWUA on
31 September 12, 2008. Until receipt of this "draft", I was completely in the dark. Mr. Pryor, President of the ICR Board,
32 also emailed me at this time and said he would be glad to meet with me if I had questions. He said another ICR
33 Board member and Counsel would attend. On September 6, I responded saying that I would meet with the full ICR

1 Board without Counsel. On September 8, I asked Mr. Pryor if he would be responding. On September 9, the
2 ICRWUA counsel, Mr. Crockett responded! Mr. Crockett asked for a meeting or conference call to discuss the
3 WSA.

4 On September 11, a teleconference was held between me, Mr. Crockett, Mr. Pryor, Mr. Shapiro,
5 representing TR Parties, and Kevin Torrey, counsel for Staff. As it turned out, it was basically a teleconference
6 between Mr. Crockett and me. It now appears to me that Mr. Crockett's only goal was to be able to say that I had
7 "been involved in the process." I brought up the WSA's lack of compliance with Decision 64360. Mr. Crockett
8 requested that I spell out compliance issues, but I felt it would be repetition of ground already covered. Mr. Crockett
9 and Mr. Shapiro continually badgered me to explain what I didn't like about the WSA. When I tried to explain that
10 they were again trying to circumvent 64360, I was accused of being uncooperative.

11 I asked whether a meeting was going to be allowed between the ICR Board and me, and Mr. Crockett
12 replied that he would have to talk with Mr. Pryor to see if that could be arranged, even though Mr. Pryor was, as
13 stated above, a participant in the conference. Before the teleconference ended, Mr. Shapiro said some harsh things
14 about me, but he did say one thing true, and that was that the teleconference was a waste of time. It was that, for
15 sure; it especially was, once again, a waste of money for the ICRWUA shareholders.

16 My requested meeting with the ICR Board was never arranged.

17 Besides the failure of the WSA to meet the requirements of Decision 64360, I have an additional concern at
18 this time. This concern regards the ICR Board meeting on August 22, 2008 wherein Mr. Meyer, Secretary/Treasurer
19 of the ICR Board, discussed ICRWUA's financial status as of July 2008 and the legal and CPA costs that the ICR
20 Board has incurred due to the Rate Case.

21 As shown in the ICRWUA's financial statement for July 2008, ICRWUA had cash reserves in the amount of
22 about \$107,000. Also, according to the information handed out at the meeting, ICRWUA's outstanding balance for
23 legal and CPA charges was about \$127,000 through June 2008. Mr. Bush, Manager of the ICRWUA indicated that
24 charges for July would add approximately \$20,000 more in legal cost thereby substantially increasing the
25 ICRWUA's outstanding debt. Given this information it was apparent to me that ICRWUA is technically insolvent.

26 Even so, the ICR Board at that time was still continuing negotiations, seemingly unconcerned with the
27 continual mounting legal costs. They simply failed to take the initiative to quickly end the negotiations in order to
28 meet their financial responsibility to the ICRWUA's membership.

29 Instead of being concerned, the ICR Board appears to be somewhat dismissive of ICRWUA's growing debt,
30 reporting in the September 2008 membership Newsletter that *'with the Rate Case dragging on and legal costs*
31 *mounting, the company's financial condition becomes more clouded. Legal and professional fees have cost*
32 *many times more than anticipated due to the intervention and subsequent negotiations involved in*
33 *attempting to reach a viable settlement. At present, ICRWUA has incurred more in legal expenses than it presently*

1 *has cash on hand. It will take some time to pay what is presently owed.*" Thus, the ICR Board's only apparent
2 concern about mounting cost and ICRWUA debt is that it will take some time to pay off the debt.

3 The above statement by the ICR Board also implies that my intervention is responsible for legal cost for the
4 Rate Case exceeding those originally anticipated. This position blithely overlooks the fact that it has been a
5 combination of failures by previous ICR Boards and by the current ICR Board to meet and adhere to the
6 requirements of Decision 64360 that has resulted in ICRWUA's present financial condition. Had the requirements of
7 Decision 64360 been met, I would have had no reason to intervene and there would not be a financial problem.
8 Rather than admit that legal costs have mounted significantly since April of this year while this ICR Board has
9 continued to attempt to "reach a viable settlement," with the TR Parties, i.e., the WSA, an agreement that continues
10 to circumvent the requirements of Decision 64360, the ICR Board blames my intervention for mounting cost.

11 An important question to me is, "Why has this ICR Board incurred significant legal and other costs that
12 have driven ICRWUA into debt in order to assist and join the TR Parties in attempting to circumvent the ACC's
13 order that Harvard transfer the appropriate wells to ICRWUA and that TRGC pay ACC-approved rates for water
14 delivered to the golf course? Isn't it more logical for the ICR Board, that supposedly represents a membership
15 consisting almost exclusively of home owners, to endorse the rulings of the ACC as a means to protect that
16 membership rather than assist the TR Parties in circumventing the ACC?"

17 On September 25, 2008, a Status Conference was held with Judge Stern presiding. ICRWUA, TRGC, and
18 Staff appeared with counsel. Commissioner Kristin Mayes also attended. I appeared on my own behalf. Possible
19 filing and hearing dates were discussed after which it was agreed between parties that the Hearing should be held
20 on December 1-3, 2008. Regarding interveners, it was further ordered that amended testimony and associated
21 exhibits be reduced to writing and filed on or before November 14, 2008.

22 Throughout this rate case, it is becoming more apparent that the ICR Board is ignoring their fiduciary duty
23 to represent the entire membership of the ICRWUA; instead, they are catering to a special-interest group—TR
24 Parties. At the September 23, 2008 ICRWUA ICR Board Meeting, Mr. Bush stated that TR Parties had paid
25 ICRWUA \$30,000 for signing the Water Service Agreement. I question that payment. I don't want to call it
26 something it isn't, but it does seem like a payment towards achieving a goal for a special-interest group that isn't in
27 the best interests of the entire ICRWUA membership.

28 Prior to signing the WSA, ICRWUA and the TR Parties have entered into two agreements (the First
29 Amendment to the MXA and the WA) that significantly favor the TR Parties over ICRWUA's residential customers.
30 The WSA continues this trend. The ICR Board's stated justification is that these agreements comply with Decision
31 64360 and financially favor the residential customers of ICRWUA. This is simply not the case. ICRWUA has lost
32 hundreds of thousands of dollars in revenue from the TR Parties by instituting these agreements, and ICRWUA now
33 finds itself significantly in debt because of the ICR Board's attempt to continue along the same path. Either

1 ICRWUA and the TR Parties should be required to adhere to the requirements of Decision 64360 or the ACC
2 should follow through on its initial position that the extension of ICRWUA's CC&N to include the Talking Rock sub-
3 division is null and void. The TR Parties need to be lifted from the back of ICRWUA's residential customers; either
4 decision will accomplish this.

5
6 **Summary**

7 ICRWUA's Rate Case includes concerns and questions about compliance with the requirements of
8 Decision 64360. Although a stated purpose of the WSA is to resolve and settle these concerns, there is no
9 discussion in the document of what the concerns are or how the WSA "resolves" them. The WSA could, in part,
10 meet one of the requirements of Decision 64360 in that it provides for the transfer of ownership of one of the wells
11 called for in the Decision (well 1 in the TR well field), but this occurs if, and only if, the ACC approves the WSA. The
12 WSA, however, continues to circumvent the requirement in Decision 64360 that ICRWUA charge its existing rates
13 to customers within the TR sub-division. The WSA also imposes new expenses on ICRWUA, the amount of which
14 is unknown, and a new water requirement that has not been reviewed by the Arizona Department of Water
15 Resources in terms of Water Adequacy.

16 Fundamentally, rather than addressing compliance issues with regard to Decision 64360, the most basic
17 objectives of the WSA are; 1) the establishment of a rate that the TR Parties will pay for ICRWUA's delivery of
18 water from ICRWUA's wells that is significantly below that paid by ICRWUA's residential customers for the term of
19 the WSA, i.e., 35 years, 2) the removal of the ACC from its State-mandated role of setting the rate over the term of
20 the WSA after approval of the initial rate, and 3) providing the TR Parties a principle role in setting their own rate
21 during the life of the agreement.

22 The WSA states that the rate the TR Parties will pay ICRWUA for water delivered to the golf course will
23 allow ICRWUA to recover its cost of service plus an appropriate operating margin, but, in actuality, the rate is not
24 designed to accomplish this and almost assuredly will be less than cost alone. The initial rate will not meet cost for
25 the year the WSA would become valid if approved by the ACC; and the method of setting the rate over time does
26 not account for increases that ICRWUA will incur for electric power, operation, equipment maintenance, repair, and
27 replacement, depreciation and general accounting to name some of the major areas where the WSA is lacking.
28 ICRWUA's residential customers will have to pick up the shortfall.

29 Because Arizona State Law empowers the ACC as the entity that sets water rates, including the rate paid
30 for water delivered to a golf course, the WSA requires ACC approval. Rates set by the ACC are designed to protect
31 the public's interest while at the same time allowing ICRWUA to meet its financial requirements. Although, as
32 discussed below, the WSA requires ACC approval of the initial rate paid for water delivered to the golf course and

1 the methodology for calculating this rate, it thereafter removes the ACC from any input, oversight, or approval of the
2 rate or changes in the rate for the remaining 35-year life of the WSA.

3 The removal of the ACC from its mandated role and the protection this role provides to ICRWUA's
4 residential customers is a principle and fundamental goal of the WSA. This objective is definitely not in the best
5 interest of ICRWUA's membership. As stated, the WSA provides the TR Parties a principal role in setting their own
6 rates over the 35 years, another arrangement that is definitely not in the best interest of ICRWUA's membership.

7 The WSA allows the TR Parties to connect additional wells and/or additional transmission facilities owned
8 by any of the TR Parties to ICRWUA's TR water system. Water from the wells will be used to irrigate the golf
9 course. Despite the intended use and despite the ownership of these facilities by the TR Parties, ICRWUA has
10 agreed to operate, test, inspect, repair and maintain these facilities at ICRWUA's sole expense over the life of the
11 WSA even though these cost are unknown.

12 In return, ICRWUA is granted the right to pump the additional well(s) and withdraw groundwater without any
13 charge to ICRWUA for the groundwater withdrawn, as long as such pumping does not interfere with the use of the
14 additional wells by the TR Parties! Not only is ICRWUA's potential use of the water limited in this regard, ICRWUA
15 doesn't even know if extra water will be available since the yield from these wells is unknown. The results of the
16 October 2007 TR well field test clearly indicate that ICRWUA does not need this water. The WSA allows ICRWUA
17 to charge the same rate for water from these wells as it will charge for water from its own wells, but this rate will not
18 allow ICRWUA to recover its cost because the rate does not incorporate the cost associated with the additional
19 wells and transmission facilities.

20 In effect, and despite the fact that the intended use of the water obtained from the additional wells is to
21 irrigate the golf course, the ICR Board has agreed to accept financial responsibility for operating, testing, inspecting,
22 repairing and maintaining the additional wells and transmission facilities that are owned by the TR Parties without
23 knowledge of the cost associated with this commitment and without a means to be fully reimbursed by the TR
24 Parties for incurring this unknown cost. The ICR Board has also agreed to this unknown cost without knowledge of
25 the actual yield of the additional wells and, therefore, without knowledge of whether any extra water for ICRWUA is
26 actually available—all in order to obtain the potential, but restricted use of a water supply it does not need. Once
27 again, ICRWUA's residential customers will have to pick up the shortfall.

28 The WSA requires ICRWUA to deliver up to 400 acre-feet of fresh groundwater per year for irrigation of the
29 golf course and 125 acre-feet per year for construction purposes at TR into perpetuity. This requirement fails to
30 recognize that, as the use of effluent for irrigation of the golf course increases over time, the need for groundwater
31 will decline. It also fails to recognize that the need for construction water will decline as build-out of infrastructure is
32 completed over time. More importantly, with regard to construction water, the WSA fails to recognize that the
33 requirement for ICRWUA to deliver 125 acre-feet per year for construction purposes is a significant addition to

1 **ICRWUA's water demand that does not appear to have been approved by the Arizona Department of Water**
2 **Resources (ADWR) in terms of ICRWUA's Water Adequacy Certification. That certification only considered**
3 **the demand of the golf course and residential demand.**

4 The only agreements between ICRWUA and Harvard that have been approved by the ACC (the MXA and
5 the First Amendment to the MXA) do not require ICRWUA to deliver 125 acre-feet of water annually from its own
6 wells for Construction Purposes. This is an inappropriate condition placed on ICRWUA in the WA (an agreement
7 not approved by the ACC) that is being carried forward into the WSA.

8
9 **Request for Denial**

10 I am requesting that the ACC deny ICRWUA's request for approval of the WSA. Although a stated goal of
11 the WSA is to resolve all parties' respective concerns over compliance with Decision 64360, the agreement does
12 not identify the compliance issues it is addressing or how it resolves them. In fact the WSA does not result in
13 compliance with the requirements of Decision 64360.

14 Decision 64360 required Harvard to transfer well 1 and an unidentified backup well to ICRWUA within 360
15 days of the Decision or the permission for ICRWUA to extend its service area to include TR would be null and void.
16 To date, nearly 7 years after Decision 64360, neither transfer has occurred. The requirement for well transfer did
17 not allow Harvard and ICRWUA to transfer ownership of whatever wells they chose to ICRWUA, which is what
18 actually occurred. Although the WSA transfers well 1, this only occurs with the ACC's approval of the WSA and
19 ICRWUA still does not have complete ownership and control of its own water supply for meeting the residential
20 needs of the TR sub-division.

21 Decision 64360 also required ICRWUA to charge its existing tariff rates to customers within the extension
22 area that included the golf course and ICRWUA failed to do this. Instead, ICRWUA entered into the WA with
23 Harvard and TRGC whereby it agreed to provide water utility service to Harvard and TRGC at a rate significantly
24 below its approved tariff.

25 Although the WA was submitted to the ACC, it was never approved. Instead of pursuing this failure with
26 the ACC, ICRWUA simply adhered to the terms of the agreement with the result that since 2003, ICRWUA has lost
27 several hundreds of thousands of dollars in revenue and it is technically insolvent. The WSA simply continues
28 ICRWUA's unfavorable financial relationship with the TR Parties. In addition to requiring ICRWUA to provide water
29 utility service to the TR Parties at less than cost, the WSA permanently removes the ACC from approving the rate
30 after the latter provides its initial approval, while it provides the TR Parties a principle role in setting their own rate. It
31 requires ICRWUA to accept an unknown financial responsibility for wells owned by the TR Parties, and finally
32 requires ICRWUA to accept a new and significant water demand by the TR Parties that exceeds ICRWUA's Water
33 Adequacy Certification. **Approval of the WSA would be extremely detrimental to ICRWUA.**

ATTACHMENT A

**ADDITIONAL SUPPLEMENTAL TESTIMONY OF DAYNE TAYLOR
REGARDING THE REQUEST FOR THE WATER SERVICE AGREEMENT (WSA)**

1
2
3
4
5 **1.1 Does the transfer of ownership of well 1 called for in the Water Service Agreement meet the**
6 **requirements of Decision 64360 for transfer of well ownership from Harvard Simon I L.L.C. to ICRWUA?**

7 The WSA states that *"Within fifteen (15) days of the Effective Date of this Agreement, ...the TR Parties*
8 *shall transfer Well 1 to ICRWUA via bill of sale ("Well 1 Bill of Sale") in a form mutually satisfactory to the Parties,*
9 *without condition, and subject only to the terms and conditions set forth herein."*

10 Decision 64360 required the transfer of ownership of well 1 within one year after the decision on January
11 15, 2002. To date, nearly 7 years after the Decision, the transfer has not occurred. The conditional transfer of
12 ownership of Well 1 called for in the WSA still does meet the requirements of Decision 64360 (Decision 64360;
13 Findings of Fact 34 and 35; ORDER, page 7, lines 1 through 8) which are incorporated herein as Exhibit 1 since, 1)
14 transfer did not occur within the allocated time, 2) the transfer of ownership of well 1 called for in the WSA is
15 conditional based on the ACC's approval of the WSA and, 3) the land is not transferred with the well 1. Without
16 ACC's approval of the WSA well 1 remains the property of TRGC. In addition, because ICRWUA has never
17 received ownership of the second or backup well that Harvard testified existed during the ACC proceedings for
18 Decision 64360 and that the ACC also required the transfer of ownership, even with the transfer of well 1, the
19 requirement for transfer of well ownership in Decision 64360 still will not have been met.

20 On January 15, 2002 the ACC extended ICRWUA's service area to include the TR sub-division even
21 though ICRWUA did not own a source of water for meeting the water demand of the sub-division. In light of this fact
22 the ACC's decision included a requirement for the Developer of TR, Harvard, to transfer ownership of the wells it
23 had drilled for this purpose to ICRWUA. The ACC's requirement for transfer of well ownership was to ensure that
24 ICRWUA had an adequate water supply for its customers in the extension area and to ensure that ICRWUA was
25 not subject to relying for their water on a third party over which the ACC lacked jurisdiction. Failure on the part of
26 Harvard and ICRWUA to transfer ownership of the wells would render the ACC's decision null and void without
27 further notice.

28 ICRWUA's source of water for the TR sub-division, including the golf course, is the TR well field that
29 consists of three wells (well 1, Registration No. 55-584177; well 2, Registration No. 55-589659; and well 3,
30 Registration No. 55-589660), all of which were drilled by Harvard. As shown by the Driller's Report and Pump
31 Installation Report for well 1, incorporated herein as Exhibit 2, well 1 was constructed between January 3-
32 February 5, 2001 and pump installation was completed April 11, 2001. As shown by the Driller's Report and Pump

1 Installation Report for well 2, incorporated herein as Exhibit 3, well 2 was constructed between March 27 – April 20,
2 2002 and pump installation was completed August 1, 2002. Finally, as shown by the Driller's Report and Pump
3 Installation Report for well 3, incorporated herein as Exhibit 4, this well was constructed between May 13 – May 15,
4 2002 and pump installation was completed September 12, 2002.

5 Decision 64360 required Harvard to transfer the wells "it has drilled" to ICRWUA. Of the three wells in the
6 TR well field, only well 1 had been drilled prior to Decision 64360, and this well was not transferred as required.
7 Ownership of wells 2 and 3, both drilled after Decision 64360, was transferred to ICRWUA instead. These were not
8 the wells Decision 64360 required to be transferred. TRGC continues to own well 1, the only well in existence
9 before Decision 64360 and one of the two wells Decision 64360 required Harvard to transfer to ICRWUA.

10 Although ICRWUA owns wells 2 and 3, it is limited by the Bill of Sale for each well incorporated herein as
11 Exhibits 5 and 6 respectively, in the amount of water that can be pumped for residential or domestic purposes.
12 Based on the results of the October 2007 TR well field test, Well 1 is the best well of the three.

13 As stated, well 1 is one of two wells that Decision 64360 required Harvard to transfer ownership of to
14 ICRWUA. Some argue that this is not the case; that Decision 64360 did not require Harvard to transfer ownership of
15 well 1 and that the transfer of ownership of wells 2 and 3 to ICRWUA meets the requirement of Decision 64360 for
16 transfer of well ownership. This conclusion doesn't make sense, however, because it would mean that Decision
17 64360 required Harvard to transfer ownership of wells that did not exist and that the ACC expected ICRWUA to
18 meet the newly created demand of the TR sub-division with the same non-existent wells.

19 That the requirement of Decision 64360 to transfer well ownership of the wells Harvard had drilled to
20 ICRWUA included well 1 is fully supported by a series of documents in addition to the date of drilling of the well and
21 the wording of Decision 64360. The Staff report dated August 2, 2001, page 2, Docket No. W-02824A-01-0450, Bar
22 Code 0000041595, on ICRWUA's APPLICATION FOR AN EXTENSION OF ITS...SERVICE AREA to include the
23 TR sub-division that Harvard had drilled a well that would be used to supply ICRWUA customers at TR.

24 The report states: On August 1, 2001, Harvard provided Staff with a copy of the April 27, 2001, Water
25 Purchase Agreement between ICR and Harvard. Harvard has drilled a well in the proposed extension territory and
26 has entered into an agreement with ICR to sell water to ICR at \$0.15 per 1,000 gallons, for resale to the ICR
27 customers in Harvard's development. This Agreement was not submitted for approval in this application. Staff's
28 recommendation for approval of this CC&N extension application does not imply a recommendation for any
29 particular future treatment for ICR's authorized expenses. No "used and useful" or "prudent investment" review was
30 requested or made, and no conclusions should be inferred for ratemaking purposes.

31 As stated above, well 1 was completed on February 5, 2001 and was the only well owned by Harvard in
32 August 2001. The Staff report (page 3) identifies the productive capacity of the existing well at 525 gallons per

1 minute (gpm). This same well is referenced by its capacity in the Findings of Facts (FOF 20) associated with
2 Decision 64360. It is further identified in the Well Agreement on page 11 (included herein as Exhibit 7) as well 1
3 having a productive capacity of 525 gpm, a rate that is different from that stated for wells 2 and 3 in the agreement
4 (the Well Agreement is an agreement between ICRWUA, Harvard, and TRGC that was signed by the three parties
5 on February 25, 2003. It was submitted to the ACC on March 7, 2003 but was never approved).

6 Finally, Exhibit 2 of the WSA provides the location of all three wells in the TR well field by their number.
7 Given its number and the driller's reports showing the date each well was constructed including the geologic log for
8 the wells provided in the driller's reports, there can be no question that the only well owned by Harvard at the time
9 of Decision 64360 was well 1.

10 It is not possible to identify the second well that Harvard stated it owned during the proceedings for
11 Decision 64360 and that the decision required Harvard to transfer to ICRWUA; but the ACC's required transfer of
12 ownership of this well was intended to provide ICRWUA with a back-up well that it still does not have (Decision
13 64360; Findings of Fact 34 and 35, ORDER page 7, lines 1 through 8). The inability to identify the second well
14 results from the fact that, despite its testimony, Harvard only owned one well at the time of Decision 64360, i.e., well
15 1 located in the TR well field.

16
17 **1.2 Did the transfer of ownership of wells 2 and 3 to ICRWUA provide ICRWUA with ownership**
18 **and control of its own water supply as contemplated in Decision 64360?**

19 The WSA states that "*the TR Parties hereby waive and release all restrictions on the amount and rate of*
20 *water that may be pumped from Well 2 and Well 3 which are contained in the Well 2 Bill of Sale and the Well 3 Bill*
21 *of Sale.*"

22 As stated above, instead of Harvard and ICRWUA transferring Well 1 as required by Decision 64360, Wells
23 2 and 3 were transferred instead. Even then, ICRWUA did not obtain complete ownership and control of the wells
24 since the Bill of Sale for each well placed constraints on the amount of water ICRWUA could withdraw from the
25 wells. The productive capacity of wells 2 and 3 is less than that of well 1—and combined, production from wells 2
26 and 3 cannot meet the expected maximum daily demand of the TR sub-division at or near full build-out. Thus, the
27 failure of Harvard to transfer ownership of the correct wells to ICRWUA combined with the pumping constraints
28 imposed on wells 2 and 3 by their respective Bills of Sale does not provide ICRWUA with the water supply
29 necessary to meet all residential requirements of the TR sub-division thereby negating the ACC's intent for
30 ICRWUA to have and control its own water supply for this purpose.

31 The restriction on the amount of water that ICRWUA can withdraw from wells 2 and 3 results from the fact
32 that the state of Arizona grants a land owner the right to pump groundwater from that land for a beneficial purpose,

1 but it does not convey this right to the owner of a well on that land if the owner of the well is someone other than the
2 land owner. Although TRGC transferred ownership of two wells to ICRWUA, TRGC retained ownership of the land
3 and therefore retained control of the water from the wells. In order to protect their golf course, TRGC restricted the
4 amount of water that ICRWUA can pump from the two transferred wells. This restriction, obviously, fails to comply
5 with Decision 64360 since it does not provide ICRWUA with ownership and control of its own water supply.

6 The WSA still does not transfer ownership of the land that the wells are located on and it still subjects
7 ICRWUA's ability to provide service to its current and future customers on the TR water system to the terms stated
8 in the WSA.

9 Among these terms, Paragraph 4 of the WSA requires ICRWUA to "*deliver water to any and all of the TR*
10 *Parties up to a maximum amount of 525 acre feet of water per year, of which a maximum of 400 acre-feet of water*
11 *can be used at the Golf Course for Landscape Irrigation, Lake Fill and other non-potable purposes, and, a*
12 *maximum of 125 acre-feet of water can be used for Construction Purposes by any of the TR Parties in the*
13 *development of Talking Rock, subject to the terms and conditions set forth in this Agreement.*" This demand is
14 equal to nearly 40 percent of the well field capacity (from all three wells) at the end of a three-day test conducted at
15 the TR Well Field on October 24-27, 2007 by ICRWUA and Harvard. A combined yield of 828 gallons per minute
16 (1,336 acre-feet per year) at the end test is stated on page 8, included herein as Exhibit 8, of a report on the results
17 of the test titled "Report on the Results of the Three Day Test of the TRR Well Field, October 24-27, 2007." That
18 was provided to the ICR Board by Mr. William Meyer on December 10, 2007.

19 The perpetual requirement to deliver 525 acre-feet of water annually to the TR Parties continues to deny
20 ICRWUA complete control and ownership of its own water supply for servicing the residential demand of the TR
21 sub-division as intended by Decision 64360.

22 The requirement that ICRWUA deliver up to 400 acre-feet per year for irrigation of the golf course on a
23 continuing basis fails to recognize that the TR Parties are required to receive effluent from ICR Sanitary District for
24 irrigation of the golf course; and, as this use increases over time with increasing hook-ups to the District, the need
25 for fresh groundwater to irrigate the golf course will decline. In avoiding a commitment to reduce the need for
26 groundwater as the use of effluent increases, the TR Parties are failing to recognize their commitment to Yavapai
27 County to reduce the need for groundwater as effluent use increases (October 6, 1999, ICR Development
28 Agreement, Yavapai County Book 3707, page 759), and ICRWUA is failing to make appropriate efforts to reduce
29 the demand of the TR Parties on wells owned by ICRWUA. Both are failing to make any commitment to conserve
30 groundwater.

31 The only agreements between ICRWUA and Harvard that have been approved by the ACC (the MXA and
32 the First Amendment to the MXA) do not require ICRWUA to deliver up to 125 acre-feet of water annually from its

1 own wells for Construction Purposes. This delivery of 125 acre-feet of water is an inappropriate condition placed on
2 ICRWUA in the Well Agreement that is being carried forward into the WSA. **The perpetual addition of 125 acre-**
3 **feet per year that ICRWUA is required to provide to the TR Parties for Construction Purposes is a**
4 **significant addition to ICRWUA's water demand that does not appear to have been reviewed by the Arizona**
5 **Department of Water Resources in terms of its impact of ICRWUA's Water Adequacy Certificate.**
6

7 **1.3 The WSA assigns priority of water use from the Talking Rock well field to residential use.**
8 **Since under WSA, ICRWUA will own all three wells in the well field, doesn't this condition give ICRWUA**
9 **control and ownership of its own water supply?**

10 The WSA states that *"Residential delivery of water pumped from the Talking Rock Wells shall have priority*
11 *(the "Residential Priority") over all other use classifications including uses by the TR Parties under this Agreement;*
12 *provided, however, that curtailment ("Curtailment") in order to meet the Residential Priority shall occur only when*
13 *there is insufficient water production from the TR Wells, in aggregate, to meet both the demand from residential*
14 *customers and the demand from non-residential customers at TR (a "Water Shortage"), and shall continue only so*
15 *long as the Water Shortage continues. During any Curtailment, ICRWUA shall make reasonable efforts to meet, in*
16 *par, the demand from the TR Parties after ICRWUA fully meets the Residential Priority, and to resume normal water*
17 *service to the TR Parties under this Agreement as soon as is practicable".*

18 The assignment of residential priority in the WSA is contingent on ACC approval of the WSA and failing this
19 approval ICRWUA is still denied access to well 1 for residential use, and it is also constrained on the amount of
20 water that can be used from wells 2 and 3 for residential use per the Bill of Sale for each well.

21 The priority assigned to residential use in the WSA also lacks a definition for *"insufficient water production"*
22 meaning that it is not possible to definitively state when the restricted use of water from the well field or
23 *"Curtailment"* for residential purposes can occur and for how long the restricted use continues even if the WSA were
24 approved by the ACC.

25 The discussion in the WSA on priority of water use recognizes another issue regarding compliance with
26 Decision 64360, namely that wells 2 and 3, or even all three wells in the TR well field as a whole, cannot meet the
27 combined golf course and residential demand at the TR subdivision at all times of the year, (notably during the pre-
28 monsoon period, from about April to mid-July) at or near full build-out of TR. This conclusion is based on the results
29 of a hydrologic test conducted at the well field by ICRWUA and Harvard in October 2007.

30 These results are confirmed in the minutes of the November 13, 2007 ICR Board meeting under *Old*
31 *Business, c.*, as stated below:

1 **Well Testing—Bill Meyer** Bill reported on the joint ICRWUA/ Harvard well tests
2 completed in late October on the TRR well field. The test was conducted with all three
3 wells pumping 24 hours per day for three days. Water depth in each well, well pumping
4 rate, and air entrapped in the pumped water was measured periodically during the test.
5 Water levels were also measured in TRR well #4 during the test. All parties received all
6 data collected during the test. The water levels and pumping rates from each well
7 declined throughout the test period.

8 Bill prepared a report for the ICR Board in which he concluded: "If the problem
9 with aerated water is neglected, the test results indicate that the well field can meet
10 domestic demand at TRR at full build out **or** demand associated with irrigation of the
11 golf course throughout the year, but the well field **cannot** meet **both** demands at all
12 times of the year, or if a well should fail. Given this, the results also indicate that the
13 Utility and Harvard Investments need to revise the Well Agreement to reflect the
14 limitations of well field yield."

15 The minutes of this meeting are included in my surrebuttal filing, Docket No. W-02824A-07-0388, April 2,
16 2008 Bar Code 0000083498 pages 37-41.

17 The assignment of priority to residential purposes in the WSA clearly identifies the fact residential priority
18 does not presently exist for water pumped from the TR well field. The lack of Residential priority results from:

- 19 1. The failure of the Harvard and ICRWUA to transfer ownership (including the land) of well 1 and the
20 unidentified back-up well it had drilled to service the TR sub-division per Decision 64360;
- 21 2. The failure of Harvard to transfer land ownership of the wells it did transfer to ICRWUA;
- 22 3. The restrictions Harvard placed on the amount of water that ICRWUA could use for residential
23 purposes;
- 24 4. The Well Agreement that stipulated the above conditions in direct violation of the requirement and
25 intent of Decision 64360 for ICRWUA to have and control its own water supply.

26 Per the Well Agreement, ICRWUA is obligated to allow TRGC to use wells 2 and 3 to, at least in part, meet
27 its needs for irrigation of the golf course and to meet construction demand, while TRGC is not obligated to provide
28 ICRWUA access to well 1 in the event of a domestic water shortage. The results of the October 2007 well field test
29 have, therefore, given rise to the question of priority of water use from the well field.

30 The ACC in its deliberations prior to rendering Decision 64360 was also concerned with the question of
31 priority of water use and apparently believed that the issue was resolved by the transfer of ownership of the wells

1 required by Decision 64360. Obviously, failure to transfer ownership of Well 1 and the unidentified back-up well has
2 resulted in the current situation.

3
4 **1.4 Does the Commodity Rate allow ICRWUA to recover its cost of service plus an appropriate**
5 **operating margin as stated in the WSA?**

6 As stated in the WSA, *"The amount the TR Parties shall pay for water delivered by ICRWUA under this*
7 *Agreement shall consist of (i) a System Reservation Charge, which shall terminate after ten (10) years; and (ii) a*
8 *Commodity Charge, which shall be subject to annual adjustment, as set forth below in this Section. In accordance*
9 *with Section 11 of this Agreement, the Parties agree that the ACC must approve the charges and the Commodity*
10 *Charge-setting methodology set forth herein for the term of this Agreement."*

11 At issue is whether the TR Parties pay ACC approved tariff rates for water sent to the golf course as
12 required by Decision 64360, the MXA that was approved by the ACC, and as recommended by Staff in their March
13 14, 2008 amended testimony. As noted in Decision 64360, failure of ICRWUA to charge tariff rates in the TR sub-
14 division would render the approval to extend ICRWUA's service area into the sub-division null and void without
15 further notice.

16 Despite the requirement of Decision 64360, ICRWUA entered into the Well Agreement with TRGC and
17 Harvard that requires ICRWUA to charge less than ACC-approved tariff rates for water sent to the golf course. This
18 practice is continued in the WSA wherein the ICR Board and the TR Parties have agreed upon a Commodity Rate
19 that continues ICRWUA's inappropriate practice of charging a rate for water sent to the golf course that is not
20 ICRWUA's ACC-approved tariff. The ICR Board's action in this regard is not in the best interest of the membership
21 it represents. For instance, had ICRWUA charged TRGC ACC-approved rates in 2006, as stated above, Staff has
22 stated in their amended testimony of March 14, 2008 that ICRWUA would have had an additional income of
23 \$114,290. These funds would have allowed ICRWUA to have operated in the black rather than running a deficit for
24 the year. Also, as discussed above, ICRWUA's failure to charge ACC-approved rates since it began delivering
25 water to the golf course in 2003 has cost ICRWUA hundreds of thousands of dollars in lost revenue.

26 Despite the assumption in the WSA that a Commodity Rate of \$1.00 per thousand gallons for water sent to
27 the golf course will allow ICRWUA to recover its cost of service plus an appropriate operating margin the first year
28 the WSA is in effect, this is not the case.

29 The Commodity Rate is based on a Cost of Service Study (COSS) for the year 2006, but it will only become
30 effective when and if the ACC approves the WSA, presumably sometime in early 2009, if it's approved at all. Thus
31 the rate will, at its imposition, be three years out of date. **Of greater importance is that the COSS is based on**
32 **incorrect financial data.** Compounding the problem is that a COSS study incorporates a number of subjective

1 assumptions that are made by the individual conducting the study; meaning that the results of a COSS are
2 subjective in nature and, therefore, subject to an unknown error. Given that the COSS is based on incorrect
3 financial data for 2006, the results of the COSS will not apply to ICRWUA's 2009 expenses even if the other
4 assumptions used in the study are accurate.

5 Because the WSA requires ICRWUA to be responsible for all cost incurred at the TR water system and the
6 Commodity Rate is based on a COSS for 2006, it is important to review all costs for the system that year no matter
7 who paid them. Total stated expenses for the TR water system in 2006 were about \$213,064, while the amount of
8 water pumped from the TR well field for all purposes was 148,867,000 gallons. For reference, the golf course
9 received 125,029,000 gallons in 2006, or 84 percent of the total water withdrawn from the TR well field.

10 Based on the total water withdrawn from the TR well field and the total stated expenses associated with this
11 withdrawal, unit cost (cost per one thousand gallons) for water pumped from the system in 2006 was approximately
12 \$1.43. Of the above cost for operating the TR water system, power cost alone were \$79,489, representing an
13 annual average unit cost of \$0.53. Since the TR Parties must bear this unit cost along with other customers of
14 ICRWUA, the remaining unit cost available to the Commodity Rate for covering all ICRWUA's other 2006 expenses
15 combined is only \$0.37 assuming a margin of 10 percent above cost.

16 Included in the other expenses that ICRWUA incurs are depreciation of plant or utility infrastructure and
17 operator cost. Both costs are incorrectly reflected in the 2006 expenses used in the COSS to calculate the
18 Commodity Rate, even assuming that the procedure and assumptions used in the COSS are sound.

19 The largest error in expenses is associated with depreciation of utility infrastructure at the TR water system.
20 Without adequate supporting documentation, ICRWUA has incorrectly estimated the cost of infrastructure it was
21 operating in 2006 at \$2,451,945. This asset is being depreciated over a forty-year life using a straight-line method,
22 or 2.5 percent depreciation of the asset per year; thereby yielding a depreciation expense for 2006 of \$61,299 for a
23 unit cost for \$0.42. Mr. Busch (manager of ICRWUA) states in the minutes for the ICR Board of Directors meeting of
24 August 26, 2008, incorporated herein as Exhibit 9, that the actual value of the assets owned by ICRWUA total
25 about \$6.65 million with an additional \$1.2 million soon to be transferred. As also stated by Mr. Busch "*there is*
26 *some concern about if and when these assets are to be accepted and included on the balance sheet.*" An audit of
27 ICRWUA financial statements for the year ending December 31, 2007 by Pinney (page 9 of the Audited Financial
28 Statement for the year ending December 31, 2007 by Constance Pinney, CPA, P.C.) incorporated herein as
29 **Exhibit 10** increases the TR water system assets operated by ICRWUA from \$2,451,945 to \$6,533,592. ICRWU
30 was advised by Pinney in the October 28, 2008 ICR Board of Directors meeting to file an amended statement for
31 the year 2007 with the IRS to reflect this increased asset.

1 Continued use of the straight-line method for calculating depreciation of existing assets from \$2,451,945 to
2 \$6,533,592 million will increase depreciation expense for the TR system from \$61,299 to \$166,250. This increase is
3 not reflected in the COSS and will raise the unit cost of depreciation for plant assets at the TR Water system from
4 the 2006 value of \$0.42 used in the COSS to \$1.12. Based on information provided by Mr. Busch at the October
5 2008 ICR Board meeting, there is an additional \$1.2 million in plant asset soon to be transferred. Adding an
6 additional value for assets of \$1.2 million in the near future will increase the unit value of depreciation even higher
7 above that assumed in the COSS.

8 Another error in the 2006 expenses used in the COSS to calculate the Commodity rate is the expenses
9 associated with operator cost. ICRWUA contracts with A-Quality for operation, maintenance and repair of the TR
10 system. An error in assigning the expense associated with this service for 2006 resulted in the COSS study using a
11 value of \$23,610.5, or \$0.16 per thousand gallons rather than the actual cost of \$38,154 or \$0.26 per thousand
12 gallons, an increase of \$0.10 over that used in the COSS. Operator cost for 2009 at the TR water system, the year
13 that the WSA would presumably become effective if approved by the ACC, are \$62,760, bringing the cost per
14 thousand gallons to \$0.42 based on 2006 water usage. This expense is \$0.26 per thousand gallons above that
15 assumed in the WSA COSS.

16 Combined, the 2006 cost for depreciation and operator expense alone are \$1.54 per thousand gallons.
17 Adding power cost, the combined rate for all three expenses in 2006 was at least \$2.07 per thousand gallons, \$1.07
18 above the Commodity rate called for in the WSA.

19 It is important to recognize that power costs vary with demand. As shown in the monthly power cost for
20 2006 and 2007 incorporated herein as Exhibit 11, unit power cost for 2006 and 2007 varied monthly, with 2006
21 unit cost ranging from \$0.33 to \$1.16 and 2007 unit cost ranging from \$0.35 to \$2.26. Unit cost for both years
22 increased as **the amount of water pumped and power usage decreased.**

23 The variation in monthly unit cost and the fact that cost increases with decreasing pumpage is important in
24 that the amount of water pumped from the well field and sent to the golf course will decrease as effluent usage
25 increases, thereby raising the average cost for power above \$0.53 even if power rates stayed the same. Ultimately,
26 the amount of groundwater needed by the golf course will be reduced to a monthly average of about 5.7 million
27 gallons bringing the unit cost based on 2006 rates to about \$0.75. Months of lower demand will result in even higher
28 cost that, based on 2007 power cost, could be as high as \$2.26 per thousand gallons.

29 Finally, the Commodity Rate does not consider, and has no basis for estimating, the cost associated with
30 ICRWUA's agreement (per the WSA) to underwrite the expenses associated with operating, testing, inspecting,
31 repairing and maintaining the Additional wells and/or transmission facilities owned by the TR Parties that the WSA
32 allows the latter to connect to the TR water system. Given this fact alone, the ability of the Commodity Rate to cover

1 all of ICRWUA's expenses associated with operating the TR water system and those associated with the Additional
2 wells and/or transmission facilities is simply unknown.

3 The failure of the WSA to allow ICRWUA to recover its cost plus an appropriate margin over the term of the
4 WSA is further compounded by the fact that after the first year, computation of changes in the Commodity rate is
5 not based on actual cost incurred by ICRWUA at all. Rather it is subject to annual adjustment based on the average
6 annual Consumer Price Index - All Urban Consumers: Area-West Urban issued by the US Bureau of Labor
7 Statistics (the "Index").

8
9 **1.5 Does the WSA provide for ACC approval of the Commodity Rate and changes in the rate**
10 **through the term of the WSA?**

11 As stated in the preamble of paragraph 6, for the WSA charges to become effective, the ACC must approve
12 the rate and the rate-setting methodology in the WSA. But this statement is misleading. ACC approval is only for the
13 initial rate and rate-setting methodology, not for the term of the Agreement, i.e., 35 years. After requiring initial ACC
14 approval, the WSA thereafter removes the ACC from its State-mandated role of regulating ICRWUA and of setting
15 its rates throughout the term of the WSA. In addition, the WSA establishes a rate for water sent to the golf course
16 after the term of the WSA that is also not approved by the ACC. This rate continues into perpetuity. The removal of
17 the ACC from its State-mandated role of setting tariff rates for utility service at the TR water system in this manner
18 is definitely not in the best interest of ICRWUA's membership.

19 Paragraph 6*b* (ii) requires an annual adjustment in the Commodity Rate without any approval by the ACC.
20 Paragraph 6*b* (iii) allows an adjustment in the rate for new treatment cost required of ICRWUA or for increased cost
21 owing to increased cost associated with contamination of the well field, but the increased rate is decided upon by
22 the TR Parties and ICRWUA at the exclusion of the ACC.

23 On or after the seventh (7th) anniversary of the Effective Date of the WSA, paragraph 6*b* (iv) allows for the
24 TR Parties or ICRWUA to request, in writing, a one-time adjustment of the Commodity Rate over the term of the
25 WSA in order to assure that it continues to cover ICRWUA's cost of service for supplying water to the TR Parties
26 plus an appropriate margin. The adjustment is to be based upon a COSS conducted by a mutually agreed upon
27 (between ICRWUA and the TR Parties) certified public accountant with at least ten year's public utility accounting
28 experience. Within fifteen (15) days after the COSS has been provided to the Parties, the Parties are required to
29 meet and mutually agree upon an appropriate modification to the Commodity Charge based upon the COSS. This
30 arrangement provides the TR Parties a principal role in setting their own rate over the term of the agreement. It also
31 specifically excludes the ACC from approving the new rate and methodology. Even if it is assumed that the
32 adjustment is made correctly, it does not occur for seven years after initiation of the WSA, and no other adjustment

1 is made for the remaining term of the agreement. The ICR Board's approval of this arrangement is definitely not in
2 the best interest of the membership it represents.

3 Paragraph 6e excludes ICRWUA from billing or otherwise requiring payment from the TR Parties for water
4 for purposes of Landscape Irrigation, Lake Fill, Construction Purposes and other non-potable purposes except as
5 provided for in the WSA. Thus, even if the ACC took some action with regard to rates charged by the WSA during
6 the term of the agreement, ICRWUA would have a "valid agreement" that restricted it from charging ACC-mandated
7 rates.

8
9 **1.6 The System Reservation Charge in the WSA provides ICRWUA with \$340,000 over a ten-**
10 **year period regardless of how much, if any, water is used by the TR Parties. Isn't this of financial benefit to**
11 **ICRWUA?**

12 There is no question that this income would benefit ICRWUA. What would be of greater benefit to
13 ICRWUA, however, would be for the TR Parties to be required to pay the ACC-approved tariff rate for water
14 delivered to the golf course as required in Decision 64360 and for the TR Parties to be subject to ACC-approved
15 changes in this rate in the future. If the TR Parties were required to pay ACC-approved rates for water sent to the
16 golf course, ICRWUA would realize \$340,000 in revenue from the TR Parties in only a few years' time rather than
17 10 years; and, ICRWUA would be assured that all their customers, including the golf course, pay their fair share of
18 future increases in expenses.

19 As stated in Bourassa's Additional Supplemental Testimony of October 15, 2008, "*the System Reservation*
20 *Charge is intended to reverse ICRWUA's deplorable current financial condition and stabilize its revenues*".
21 Bourassa does not provide a discussion or basis for ICRWUA's existing financial condition, but there can be no
22 doubt that it is mainly, if not entirely, the result of ICRWUA's failure to charge TRGC the ACC-approved tariff rate
23 for water delivered to the golf course from 2003 to the present. Approval of the WSA, and therefore the Commodity
24 Rate, would only continue to keep and deepen ICRWUA's existing financial condition.

25 Rather than allowing the ACC to reach a decision based on testimony presented in the Rate Case through
26 March 2008, ICRWUA entered into extended negotiations with the TR Parties to allow the latter to pay less than
27 ACC-approved tariff rates as suggested by Staff in their amended filing of March 14, 2008. These negotiations have
28 cost ICRWUA somewhere in the range of \$200,000 with additional expenses forthcoming. The TR Parties agreed to
29 contribute \$30,000 toward these charges, but only if ICRWUA Board signed the WSA, which one Board member
30 did on September 12, 2008. The TR Parties have also agreed to provide an additional \$50,000 to ICRWUA for legal
31 cost associated with negotiating the WSA, but only if the ACC approves the agreement. These conditions, with or
32 without ACC approval of the WSA, still leave ICRWUA's membership with significant legal and other related cost

1 incurred by its ICR Board of Directors for the sole purpose of allowing the TR Parties to circumvent the financial
2 requirements of Decision 64360.

3 If the WSA were to be approved, the funds derived from the System Reservation Charge would simply help
4 to offset the loss of revenue ICRWUA would experience due to the failure of the Commodity Rate to cover
5 ICRWUA's increased cost resulting from such items as depreciation, operating expenses, and higher power cost,
6 as discussed above, and the expenses resulting from legal and related cost incurred during the Rate Case.

7 Mr. Crockett, stated at the Procedural Hearing of September 25, 2008 that the System Reservation Charge
8 is also part of the rate that the TR Parties pay for water sent to the golf course, but this is not the case. A system
9 reservation charge is just that, a system reservation charge; it is not part of the rate at all. Mr. Crockett's statement
10 is also in direct conflict with the testimony of Mr. Bourassa stated above.

11
12 **1.7 Is the agreement in the WSA that allows the TR Parties to connect Additional wells and/or**
13 **Additional transmission facilities owned by any of the TR Parties to ICRWUA's Talking Rock water system**
14 **in the best interest of the members of ICRWU?**

15 The WSA allows any of the TR Parties to connect Additional wells or transmission facilities to ICRWUA's
16 TR water system provided that such use does not unreasonably interfere with ICRWUA's operations. Water
17 delivered from the Additional wells through ICRWUA's TR water system will be charged the Commodity Rate. This
18 agreement and the terms associated with it stated below are definitely not in the best interest of ICRWUA's
19 membership.

20 The WSA further requires that the Additional wells and facilities will be:

- 21 • Operated, tested, inspected, repaired and maintained by ICRWUA at ICRWUA's sole expense even though
22 TRGC retains ownership of the Additional wells and/or facilities.
- 23 • In return ICRWUA is granted the right to pump any Additional Well(s) and withdraw groundwater subject to
24 the terms of the WSA without any charge to ICRWUA for the groundwater withdrawn, as long as such pumping
25 does not interfere with the use of the Additional wells by the TR Parties.

26
27 The WSA ignores the facts that:

- 28 • With ICRWUA's ownership of all three wells at the TR well field and domestic use having priority, the
29 October 2007 well field test shows that ICRWUA will have more than sufficient capacity to meet the domestic
30 demand of the TR sub-division plus back-up capability and does not need the potential, but WSA-limited availability,
31 of water from the Additional wells.

1 • That the Commodity rate specified in the WSA is based on ICRWUA's cost of delivering water from the
2 three wells in the TR well field, not from the Additional wells with or without water from the TR well field. Because
3 the Additional wells will be further removed from the TR sub-division than those in the TR well field, the cost
4 associated with delivering water from the former well field will, by perforce, be greater than that incurred from the
5 latter well field.

6 • That the cost associated with ICRWUA's agreement to operate, test, inspect, repair and maintain the
7 Additional wells and transmission facilities are unknown.

8 • That the yield or productive capacity of the Additional wells is unknown.

9 • That priority of water use from the Additional wells is for the TR Parties.
10

11 In essence, ICRWUA has agreed to accept financial responsibility for operating, testing, inspecting,
12 repairing and maintaining the Additional wells and transmission facilities that are owned by the TR Parties without
13 knowledge of the cost associated with this commitment, without knowledge of the actual yield of the Additional
14 wells, and without a means to be reimbursed by the TR Parties for incurring this unknown cost, all in order to obtain
15 potential, but restricted use of a water supply it does not need.
16

17 **1.8 Is the following in the best interest of the ICRWUA membership: ICRWUA's agreement in the**
18 **WSA that the MXA, as amended, and the Well Agreement, as amended are valid and remain in full force and**
19 **effect until approval of the WSA by the ACC?**

20 The WSA states that ICRWUA and the TR Parties agree that the MXA, as amended, and Well Agreement,
21 as amended, are valid and remain in full force and effect until the Effective Date of WSA.

22 ICRWUA is under the jurisdiction of the ACC and can only charge a rate for the delivery of water that is
23 approved by the ACC, to whatever entity. The WA was not approved by the ACC, but it sets rates for water that
24 ICRWUA delivers to the golf course that are less than ACC-approved rates as required in the MXA, and as many,
25 including Staff contend, is required by Decision 64360. ICRWUA's policy of using the Well Agreement to set
26 TRGC's rate is inappropriate and should be immediately stopped. Once again, ICRWUA's failure to charge the
27 approved ACC rate has cost ICRWUA's membership hundreds of thousands of dollars in lost revenue.
28

29 **1.9 Is there a commitment to conservation of groundwater in the WSA?**

30 The WSA's commitment to conservation of groundwater is that *"The TR Parties agree to continue to use*
31 *reasonable efforts to promote conservation within Talking Rock and to minimize the use of groundwater for*
32 *Landscape Irrigation, Lake Fill and other non-potable purposes. TRGC further agrees to complete construction of*

1 *an additional planned storage pond with an estimated capacity of 25,000,000 gallons no later than February 1,*
2 *2009, which deadline may be extended by the TR Parties for good cause and following notice to ICRWUA.”*

3 The above statement is a hollow commitment to conservation. It does not discuss what “reasonable
4 methods” will be used to promote conservation within TR, and it does not discuss how, or when, the demand on
5 groundwater will be reduced and by how much.

6 The WSA ignores the fact that in Harvard’s 2001 presentation to Yavapai County for plat approval the
7 company committed to using effluent for irrigation of the golf course and that this source alone would provide the
8 necessary water for irrigation of the golf course in ten years, the projected build-out period for completion of the
9 sub-division.

10 Although the build out period will obviously extend far beyond ten years, substitution of effluent for fresh
11 groundwater is underway. Since 2003, the ICR Sanitary District sends it effluent to Harvard where it is used for
12 irrigation of the golf course. The amount sent will increase as the customer base for the District increases. The
13 WSA makes no reference to this and does not reduce groundwater demand for the golf course over time as effluent
14 becomes available to replace it. The 2007 use of groundwater by TRGC for irrigation of the golf course was
15 130,809,000 gallons, or 401.5 acre-feet, slightly above its permitted rate of 400 acre-feet.

16 Effluent from all four sub-divisions served by the ICR Sanitary District is sent to the TR golf course. At this
17 time, the District, with the current demographics, serves 454 homes producing on average 40,000 gallons of
18 effluent per day, or about 88 gpd per residence. At full build-out the District will serve approximately 2,400 homes.
19 At the present rate of effluent generation, the ultimate amount of effluent generated at full build-out possibly could
20 be 202,400 gpd. As shown in the following table, this would reduce the current annual groundwater demand for
21 irrigation of the golf course from a maximum allowable 130,331,200 gallons per year to 53,243,200 gallons; a
22 reduction of 59 percent.

23
24 **Reduction in Groundwater Demand as Effluent Generation Increases**

Residences	Effluent Generation (gallons per year)	Groundwater Demand (gallons per year)	Groundwater Demand (gallons per minute)
454	14,600,000	115,731,200	220
1,000	32,120,000	98,211,200	187
1,500	48,180,000	82,151,200	156
2,000	64,240,000	66,091,200	126
2,400	77,088,000	53,243,200	101

25
26 **1.10 Is there a benefit in the Construction of a 25,000 gallon storage pond?**

27 Definitely. The construction of an additional storage pond by TRGC with an estimated capacity of

1 25,000,000 gallons really addresses the need of TRGC to be able to accommodate effluent. The amount of
2 groundwater used to irrigate the golf course varies monthly and from year to year. The months of lowest demand for
3 2006 and 2007 were November, December, January, and February. Monthly demand during this period varied from
4 a low of 767,000 gallons to a high of 4,857,000 and averaged 2,499,375 gallons. Effluent generation for 1,000
5 homes will average about 2,676,666 gallons per month and it is obvious that a storage pond will be required for this
6 water in the near future.

7 As stated above, at the present rate of effluent generation the ultimate amount of effluent generated at full
8 build-out would be 202,400 gpd and the monthly output of effluent would be between 6,072,000 gallons and 6,274,400
9 gallons, much more than the golf course has required during November, December, January, and February up to
10 the present time.

11 Annual evaporation from the storage pond will reduce the amount of effluent available to the golf course
12 and increase the annual demand for groundwater stated above for full build-out.

13
14 **1.11 The WSA allows ICRWUA to characterize up to 70% of the utility infrastructure provided by**
15 **the TR Parties as contributions in aid of construction. Would treating any of this infrastructure as a**
16 **contribution in aid of construction be in the best interest of ICRWUA's membership?**

17 Treating any of the utility infrastructure provided by the TR Parties as contributions in aid of construction is
18 definitely not in the long-term interest of ICRWUA's membership. Such treatment allows expenses and tariff rates to
19 remain arbitrarily low in the short-term because contributions in aid of construction cannot be depreciated as an
20 expense. This in turn, means that funds are not being accrued for the purposes of infrastructure replacement.
21 Ultimately, of course, replacement must occur at which time ICRWUA members will realize a significant rate
22 increase.

23
24 **1.12 In his October 15, 2008 supplemental testimony Mr. Bourassa has implied that TRGC would**
25 **be forced to use its own water supply to serve itself in the event that TRGC is required to pay tariff rates for**
26 **water used on the golf course. Would you like to comment on this possibility?**

27 Yes. In the first place I do not believe that Mr. Bourassa is qualified to discuss future decisions by TRGC or
28 the TR Parties. Since he was presumably paid by ICRWUA to analyze this condition, I can only speculate that his
29 conclusion is really that of ICRWUA or perhaps that of the TR Parties.

30 In any case, Mr. Bourassa's analysis of the financial impact that would result if TRGC were required to pay
31 tariff rates for water sent to the golf course reflects a lack of understanding of the TR water system and the water
32 demand at the golf course; his analysis is therefore flawed on its face. Bourassa's analysis assumes that TRGC

1 could instantly divorce itself from the TR water system owned by ICRWUA, and this is not the case. Mr. Bourassa's
2 analysis also assumes that TRGC's existing source of water (well 1) is sufficient to meet the demands of the golf
3 course, and this is not the case either. Should the WSA not be approved and the TR Parties continue to own well 1,
4 TRGC would still have to utilize ICRWUA infrastructure to deliver water from the well to the golf course. In
5 additional, well 1 cannot meet golf course demand during the driest part of the pre-monsoon season, and TRGC
6 would still need water from ICRWUA's wells to meet this shortfall. Should the rate case result in the requirement of
7 the TR Parties to transfer well 1 to ICRWUA as required by Decision 64360, the TR Parties would be totally reliant
8 on ICRWUA for water to irrigate the golf course.

9 Based on ICRWUA's experience with the TR Parties from the beginning of the relationship to the present
10 time, it is more than fair to say that ICRWUA's requirement to provide water utility service to the TR Parties has
11 been financially detrimental to ICRWUA. Although Harvard originally approached ICRWUA for the purpose of the
12 latter supplying water to Harvard's TR development, Harvard and TRGC have, from the beginning up to the present
13 time, undertaken actions that promote the well being of the golf course at the expense of ICRWUA. Given this, and
14 with no expectations for improvement, ending the relationship is actually in ICRWUA's best interest.

15 Among other things, the desire of Harvard and TRGC to obtain inexpensive water for irrigation of the golf
16 course has caused ICRWUA to enter into agreements with Harvard and TRGC (the First Amendment to the MXA
17 and the WA) that have not complied with the requirements of the ACC's decision that extended ICRWUA's service
18 area to include the TR sub-division and, therefore, are not in the public interest.

19 These agreements were originally structured when Harvard was purchasing land from the company that
20 controlled ICRWUA's ICR Board of Directors. The Agreements and/or the action of the ICR Board of Directors from
21 that time up to the present have cost ICRWUA hundreds of thousands of dollars in lost revenue from 2003 to the
22 present time, and have left ICRWUA without sufficient water capacity to meet the domestic demand of the sub-
23 division and without a back-up well as required by the ACC's 2002 decision. The Agreements and/or the action of
24 the ICR Board of Directors in favor of the golf course have also resulted in the current insolvency of ICRWUA.

25 ICRWUA's defense of these agreements in the current rate case and the ICR Board's efforts to arrive at a
26 new agreement with the TR Parties that continues to circumvent the Decision 64360 has cost ICRWUA
27 approximately \$250,000, and these costs continue to mount.

28 In comparison, the loss of income that ICRWUA would experience if TRGC decided to supply their own
29 water would not be overly burdensome on ICRWUA customers assuming that TRGC could actually immediately
30 divorce itself from the TR water system. ICRWUA expenses in 2006 equaled \$295,341. Of this amount TRGC paid
31 \$51,123 or 18.7 percent based on OM&R expenses at the TR system and an additional wheeling of \$4,163.

1 Thus ICRWUA would only lose about 18 percent of its income. ICRWUA residences have not objected to
2 potentially higher cost during the entire rate case. ICRWUA customers would actually experience some gain from
3 disengagement by the TR Parties. Disengagement, however, could actually require several years. During this time
4 Harvard would pay tariff rates until they were able to “disengage” from the TR Water system. Water sent to the golf
5 course represented 54 percent of the pumpage from ICRWUA’s wells for 2006. The loss of this demand would
6 enhance the capacity of ICRWUA’s wells for domestic purposes.

7
8 **1.13 Are there any issues that would have to be resolved if the WSA is not approved by the**
9 **ACC?**

10 Harvard and ICRWUA failed to meet the requirement of Decision 64360 that required Harvard to “*include in*
11 *its advance, the wells it has drilled for the purpose of providing water to the extension area...*” Additional wording in
12 the Decision stated that ICRWUA was required to “*file a copy of the relevant documents transferring ownership of*
13 *the wells and related production facilities to ICR within 365 days of the effective date of this Decision or the*
14 *approval granted herein shall be rendered null and void without further Order by the Commission.*” Because the
15 requirement for well transfer has not been met, the ACC needs to determine if their decision to extend ICRWUA’s
16 service area to include the TR sub-division is null and void as stated in Decision 64360, and if not, whether the
17 transfer of ownership of well 1 from Harvard to ICRWUA is still required.

18 Because ICRWUA has failed to meet the requirement of Decision 64360 to charge all its customers in the
19 TR sub-division its existing ACC-approved rates (per Decision 64360) the ACC needs to determine if their decision
20 to extend ICRWUA’s service area to include the TR sub-division is null and void as stated in Decision 64360.

21 Assuming that the extension is not null and void and because wells 1, 2, and 3 are all connected to
22 ICRWUA’s infrastructure, water from the wells must be sent through this infrastructure in order to reach the golf
23 course; the ACC therefore needs to establish a tariff rate for this water even if one or more of the wells is not owned
24 by ICRWUA.

25
26 **Does this conclude your testimony?**

27 Yes.

28

EXHIBIT 1

Pages 1-8
of
Decision 64360

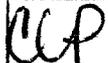
Docket No. W-02824A-01-0450
Bar Code 0000028683

BEFORE THE ARIZONA CORPORATION UTILITIES COMMISSION

DOCKETED

JAN 15 2002

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

DOCKETED BY 

IN THE MATTER OF THE APPLICATION OF ICR
WATER USERS ASSOCIATION, INC. TO
EXTEND ITS CERTIFICATE OF CONVENIENCE
AND NECESSITY.

DOCKET NO. W-02824A-01-0450

DECISION NO. 64360

OPINION AND ORDER

DATE OF HEARING: September 6, 2001
PLACE OF HEARING: Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE: Marc E. Stern
APPEARANCES: Lewis and Roca, L.L.P., by Mr. Michael T. Hallam, on behalf of ICR Water Users Association, Inc.;
Fennemore Craig, P.C., by Ms. Karen E. Errant, on behalf of Intervenor Harvard Simon I, L.L.C.; and
Ms. Janice M. Alward, Assistant Chief Counsel, Legal Division, on behalf of the Arizona Corporation Utilities Division.

BY THE COMMISSION:

On June 1, 2001, ICR Water Users Association, Inc. ("ICR" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("Certificate") to provide public water utility service to various parts of Yavapai County, Arizona.

On June 7, 2001, Harvard Simon I, L.L.C. ("Harvard") filed a Motion to Intervene ("Motion"). There were no objections to the Motion.

On June 26, 2001, by Procedural Order, the above-captioned matter was scheduled for a hearing on September 6, 2001 and Applicant was ordered to publish notice of the application and hearing thereon. Intervention was also granted to Harvard.

On August 8, 2001, the Commission's Utilities Division ("Staff") filed its Staff Report in this matter.

1 On September 6, 2001, a full public hearing was convened before a duly authorized
2 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. ICR, Harvard and
3 Staff appeared with counsel. At the conclusion of the hearing, the matter was taken under
4 advisement pending submission of a Recommended Opinion and Order to the Commission.

5 * * * * *

6 Having considered the entire record herein and being fully advised in the premises, the
7 Commission finds, concludes, and orders that:

8 **FINDINGS OF FACT**

9 1. Pursuant to authority granted by the Commission, ICR is engaged in providing water
10 service to approximately 85 residential customers approximately 12 miles northwest of Prescott,
11 Yavapai County, Arizona.

12 2. ICR's existing Certificate area contains approximately 300 residence sized lots.

13 3. ICR's existing plant includes 110,000 gallons of storage and is valued at \$250,000.

14 4. To serve its existing certificated area, since ICR does not own a well, it purchases all
15 of its water under the terms of a 100-year water purchase agreement for \$.15 per 1,000 gallons from
16 Pierce Properties, a nearby property owner located approximately 2 miles from ICR's certificated
17 service area.

18 5. On June 1, 2001, ICR filed an application for an extension of its existing Certificate in
19 order to provide water service to approximately 3,070 acres of land adjacent to its existing
20 certificated service area which is more fully described in Exhibit A attached hereto.

21 6. ICR has requested the above-described extension of its Certificate because it has
22 received a request from Harvard to provide water service to the area described in Exhibit A for a
23 planned development, Talking Rock Ranch ("Ranch"), a residential subdivision which will contain
24 approximately 1,500 residences when it is entirely built out.

25 7. The Ranch will also include common areas, a club house, swimming pool, fitness
26 center and an 18-hole golf course with storage lakes. Besides the extension area requested herein, the
27 Ranch also includes 400 acres already owned by Harvard in ICR's existing Certificate area.

28 8. In order to provide service to the extension area, ICR and Harvard have entered into a

1 Main Extension Agreement ("Agreement"). Pursuant to the Agreement, Harvard will construct all of
2 the required facilities¹ necessary to serve the Ranch and advance them to ICR which in turn will
3 refund to Harvard, over a period of 25 years, 15 percent of the revenues derived from the provision of
4 service to the extension area. However, refund payments will not start until five years after ICR first
5 provides service in the extension area.

6 9. Pursuant to the terms of the Agreement, the facilities will be constructed in conformity
7 with the rules of the Yavapai County Environmental Services Department and the Arizona
8 Department of Environmental Quality ("ADEQ").

9 10. In the event that any of the facilities are not located in the public rights of way,
10 Harvard will convey permanent easements and rights-of-way to ICR to allow for access to its
11 facilities in the future.

12 11. Any unpaid balance at the end of the 25-year term of the Agreement will become a
13 non-refundable contribution to ICR.

14 12. There are no other public water utilities in the area to provide water service to the area
15 sought to be certificated herein by ICR.

16 13. During the proceeding, Mr. Swayze McCraine, the president of ICR, testified that ICR
17 will comply with all conditions recommended by Staff in its report.

18 14. According to the Agreement, at build out, the facilities to be constructed in phases by
19 Harvard will be worth approximately \$15,160,578.

20 15. ICR has indicated that it will charge those customers in the expansion area its existing
21 rates and charges of \$20 per month for its base rate and \$2 per 1,000 gallons for water usage.

22 16. Under the terms of the Agreement, ICR consents to Harvard using water from its well
23 to provide its golf course and storage lakes within the Ranch subdivision with water. There is also a
24 provision within the Agreement which states that ICR agrees to provide water at the lawful tariff rate
25 to the golf course upon written request from Harvard in the future, consistent with the rules of the
26 Commission. However, the Agreement does not address the issue of priority of use in the event of a

27

28 ¹ Although ICR's utility plant will increase greatly as a result of the Agreement, there is no provision for the transfer of
any wellsites, wells or related water production facilities.

1 water shortage.

2 17. A Harvard representative indicated that the plat for the Ranch's first phase has already
3 been approved and construction has commenced on the golf course.

4 18. According to Harvard's representative, the developer had a number of water
5 hydrology tests performed, which indicate that there is more than ample water available to ICR's
6 existing certificated service area and the extension area where the Ranch is located.

7 19. Under the Agreement, ICR covets that it shall use its best efforts to ensure that the
8 plant advanced by Harvard will not be used to provide water to customers outside of the Ranch area
9 such that it will not adversely impact service to the Ranch area.

10 20. Harvard has drilled two test wells, one of which produces approximately 700 gallons
11 of water per minute. However, water production from it has been lowered to 525 gallons of water per
12 minute because the Ranch's demands at full build-out including the golf course and all residential
13 units are projected at 523 gallons of water per minute. Additionally, Harvard will utilize the second
14 well as a back-up emergency well and has the ability to add a third well, if needed.

15 21. Harvard's well-site is located slightly outside of the extension area on property owned
16 by Harvard.

17 22. Harvard does not wish to transfer its well-sites to ICR because, from a development
18 view point, since it will take more than a decade to build out the project, Harvard believes it is
19 important to retain ownership and control over its wells.

20 23. As the utility plant is constructed by Harvard for ICR and phased into service, ICR's
21 water storage capacity will increase by 600,000 gallons.

22 24. Staff is recommending approval of ICR's application herein.

23 25. Since ICR's certificated service area and the extension area are located outside of the
24 Prescott Active Management Area, Applicant will not be required to file a copy of the developer's
25 Certificate of an Assured Water Supply. Instead, Staff is recommending that ICR file a copy of a
26 certificate of adequate physical availability.

27 26. Staff believes that ICR's existing rates and charges will enable it to continue viable
28 operations because much of ICR's projected expenses with the expected expansion will be related to

1 non-cash depreciation expenses.

2 27. Applicant is in compliance with the rules of ADEQ and is providing water which does
3 not exceed any MCLs and meets the water quality standards of the Safe Drinking Water Act.

4 28. Applicant is current on the payment of its property and sales taxes.

5 29. Applicant will obtain a Yavapai County franchise for the extension area where it is
6 presently not certificated.

7 30. Staff is recommending approval of ICR's application herein subject to the following
8 conditions:

- 9
- 10 • that Applicant file, with the Director of the Commission's Utilities Division,
11 within 365 days of the effective date of this Decision, a copy of the developer's
12 water adequacy report for Phase I which is to be issued by the Arizona Department
13 of Water Resources;
 - 14 • that ICR file, with the Director of the Commission's Utilities Division, within 365
15 days of the effective date of this Decision, a copy of the developer's Certificate of
16 Approval to Construct with the appropriate main extension agreement;
 - 17 • that Applicant file, with the Director of the Commission's Utilities Division,
18 within 365 days from the date of this Decision, a copy of its Yavapai County
19 franchise for the extension area where it is not presently certificated; and
 - 20 • that Applicant continue to charge its existing rates and charges in the extension
21 area.

22 31. Staff is further recommending that, in the event that ICR fails to meet the above
23 recommendations of Staff in a timely fashion, the approval granted hereinafter shall be null and void
24 without further Order by the Commission.

25 32. Staff is also recommending that Applicant file, within five years from the date of this
26 Decision, a rate application.

27 33. Under the circumstances herein, we believe that Staff's recommendations on balance
28 are reasonable and should be adopted.

34. However, we are concerned with the fact that ICR does not own or have its own water
production facilities and that the issue was not addressed adequately. We believe that, as an
additional condition for the extension of the Certificate herein, as part of the Agreement, Harvard

1 should include in its advance, the wells which it has drilled for the purpose of providing water to the
2 extension area described in Exhibit A to ensure that the utility has adequate water for its customers
3 and to ensure that they are not subject to relying for their water on a third party over which the
4 Commission lacks jurisdiction.

5 35. We believe that this additional condition can be met by amending the Agreement
6 between the parties and we shall require ICR to file a copy of the relevant documents transferring
7 ownership of the wells and related water production facilities to ICR within 365 days of the effective
8 date of this Decision or the approval granted herein shall be rendered null and void without further
9 Order by the Commission.

10 CONCLUSIONS OF LAW

11 1. Applicant is a public service corporation within the meaning of Article XV of the
12 Arizona Constitution and A.R.S. §§ 40-252, 40-281 and 40-282.

13 2. The Commission has jurisdiction over Applicant and of the subject matter of the
14 application.

15 3. Notice of ICR's application as described herein was given in the manner prescribed by
16 law.

17 4. The public convenience and necessity require and the public would benefit by the
18 extension of ICR's Certificate so that its certificated service area includes the area more fully
19 described in Exhibit A.

20 5. Applicant is a fit and proper entity to receive an amended Certificate which
21 encompasses the area more fully described in Exhibit A.

22 6. ICR's application for the extension of its Certificate should be approved as
23 recommended by Staff in Findings of Fact Nos. 30 and 31 and consistent with Findings of Fact Nos.
24 34 and 35 hereinabove.

25 ORDER

26 IT IS THEREFORE ORDERED that the application of ICR Water Users Association, Inc. for
27 an extension of its Certificate of Convenience and Necessity for the operation of water facilities in
28 the area more fully described in Exhibit A be, and is hereby approved, as conditioned herein.

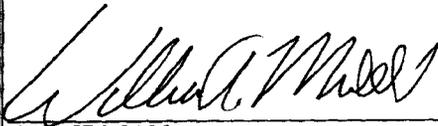
1 IT IS FURTHER ORDERED that ICR Water Users Association, Inc. shall comply with all
2 conditions as described in Findings of Fact Nos. 30, 31, 34 and 35 and Conclusion of Law No. 6
3 hereinabove.

4 IT IS FURTHER ORDERED that the approval granted herein to ICR Water Users
5 Association, Inc. shall be conditioned upon ICR Water Users Association, Inc. complying with the
6 conditions as set forth in Findings of Fact Nos. 30, 31, 34 and 35 and Conclusion of Law No. 6
7 hereinabove or the approval granted herein shall be rendered null and void without further Order of
8 the Commission.

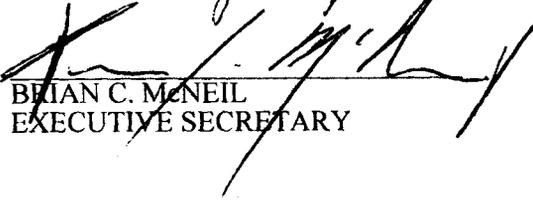
9 IT IS FURTHER ORDERED that ICR Water Users Association, Inc. shall file, within five
10 years from the date of this Decision, a rate application.

11 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION:

13 
14 
15 CHAIRMAN COMMISSIONER COMMISSIONER

17 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
18 Secretary of the Arizona Corporation Commission, have
19 hereunto set my hand and caused the official seal of the
20 Commission to be affixed at the Capitol, in the City of Phoenix,
21 this 15th day of January 2002.

22 
23 BRIAN C. McNEIL
24 EXECUTIVE SECRETARY

25 DISSENT _____

26 MES:mlj

1 SERVICE LIST FOR: ICR WATER USERS ASSOCIATION, INC.

2 DOCKET NO. W-02824A-01-0450

3

4 Thomas H. Campbell
4 Michael Hallam
LEWIS & ROCA
5 40 North Central Avenue
Phoenix, AZ 85004-4429
6 Attorneys for ICR Water Users Association, Inc.

7 Swayze E. McCraine
ICR Water Users Association, Inc.
8 7765 Williamson Valley Road
Prescott, AZ 86305

9

10 Jay Shapiro
Karen E. Errant
FENNEMORE CRAIG
11 3003 North Central Avenue, Ste. 2600
Phoenix, AZ 85012-2913
12 Attorneys for Harvard Simon I, L.L.C.

13 Christopher Kempley, Chief Counsel
Legal Division
14 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
15 Phoenix, Arizona 85007

16 Ernest G. Johnson, Director
Utilities Division
17 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
18 Phoenix, Arizona 85007

19

20

21

22

23

24

25

26

27

28

EXHIBIT 2

Driller's Report and Pump Installation Report for well 1

**constructed between
January 3 - February 5, 2001**

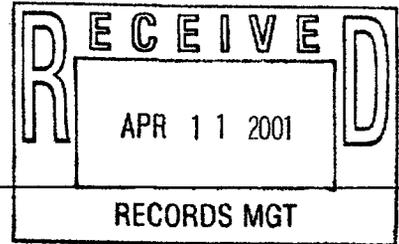
**pump installation completed April
11, 2001**

**ARIZONA DEPARTMENT OF WATER RESOURCES
GROUNDWATER MANAGEMENT SUPPORT SECTION
MAIL TO: P. O. BOX 458 - PHOENIX ARIZONA 85001-0458
Phone 602-417-2470**

COMPLETION REPORT

(Pump Installation Report)

- A. Per A.R.S. § 45-600.B, the Completion Report is to be filed with the Department within 30 days after installation of pump equipment by the registered well owner.
- B. Drawdown of the water level for a non-flowing well should be measured in feet after not less than 4 hours of continuous operations. For a flowing well the shut-in pressure should be measured in feet above the land surface or in pounds per square inch at the land surface.
- C. The static groundwater level should be measured in feet from the land surface immediately prior to the capacity test.
- D. The tested pumping capacity of the well in gallons per minute for a non-flowing well should be determined by measuring the discharge of the pump after continuous operation for at least 4 hours and for a flowing well be measuring the natural flow at the land surface.
- E. Items 1 and 2 are available from the Notice of Intent to Drill.
- F. Items 3 and 4 may be available from the driller.



1. **REGISTRATION NO:** 55-584177 **FILE NO:** _____

2. LOCATION OF THE WELL:

16 ^N/_S 3 ^E/_W 17 1/4 SW 1/4 NW 1/4 NW
Township Range Section 10-acre 40-acre 160-acre

3. EQUIPMENT INSTALLED:

Kind of pump Submersible Kind of power Electric
Turbine, Submersible, Centrifugal, etc. Electric, natural gas, gasoline, etc.
H.P. Rating of Motor 60 Pumping Capacity 475 GPM Date Pump Installed 2-14-01

4. WELL TEST:

Test pumping capacity 475 GPM Date Well Tested 2-14-01
Gallons per minute

Method of Discharge Measurement Water Meter
Weir, orifice, current meter, etc.

Static Groundwater Level 8' ft. Drawdown 0 ft.

Total Pumping Lift 0 ft. Drawdown 0 lbs
(Flowing Well)

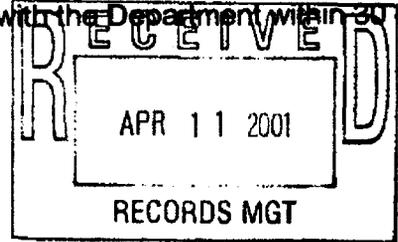
I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

Harvard - Simon J, LLC %
Harvard Investments 7600 E. Double Tree Ranch Rd. Scottsdale Az
Print Well Owner's Name Address City State Zip 85258
[Signature] 480-348-1118 4.06.01
*Signature of Well Owner Phone Number *Date

ARIZONA DEPARTMENT OF WATER RESOURCES
 500 North 3rd Street
 Phoenix, Arizona 85004

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.



1. DEL RIO DRILLING & PUMP, INC.
 6645 NORTH HIGHWAY 89
 CHINO VALLEY, AZ 86323-9154

2. Owner Name: Kevin Newell
 Address: 3200 N Central Ste 2100 Phoenix, AZ 85012
City State Zip

3. Location: 16 NS 3 EW 17 $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ NW
Township Range Section 10-acre 40-acre 160-acre

4. Well Registration No. 55-584177 (Required)

5. Permit No. _____ (If Issued)

DESCRIPTION OF WELL

6. Total depth of hole 300' ft.
 7. Type of casing Steel solid 3 mesh
 8. Diameter and length of casing 12 in. from 0' to 20' 8" in from 0' to 300'
 9. Method of sealing at reduction points _____
 10. Perforated from 200' to 300', from _____ to _____ from _____ to _____
 11. Size of cuts Factory Perf Number of cuts per foot _____
 12. If screen was installed: Length _____ ft. Diam _____ in. Type _____
 13. Method of construction Drilled -
(drilled, dug, driven, bored, jetted, etc)
 14. Date started 01 03 01
Month Day Year
 15. Date completed 02 05 01
Month Day Year
 16. Depth to water 8' ft. (If flowing well, so state)
 17. Describe point from which depth measurements were made, and give sea level elevation if available
 18. If flowing well, state method of flow regulation: _____
 19. Remarks: _____

DO NOT WRITE IN THIS SPACE
 OFFICE RECORD

Registration No. 55- 584177
 File No. B(16-3) 17 BBC
 Received _____ By _____
 Entered _____ By _____

EXHIBIT 3

Driller's Report and Pump Installation Report for well 2

**constructed between
March 27 – April 20, 2002**

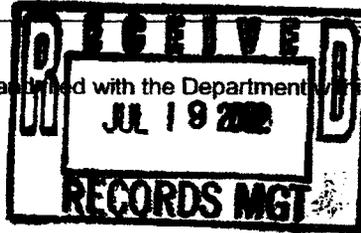
**pump installation completed
August 1, 2002**



Arizona Department of Water Resources
 Records Management Section
 500 N. 3rd Street • Phoenix, Arizona 85004
 (602) 417-2405 • (800) 352-8488
 www.water.az.gov

Well Driller Report
 and
 Well Log

- ❖ Review instructions prior to completing form
- ❖ This report should be prepared by the driller in detail and filed with the Department within 30 days following completion of the well.



WELL REGISTRATION NUMBER 55-589659
PERMIT NUMBER (IF ISSUED)

** PLEASE PRINT CLEARLY **

SECTION 1: REGISTRY INFORMATION						
Well Owner			Location of Well			
FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL Harvard Inv.			WELL LOCATION ADDRESS (IF ANY)			
MAILING ADDRESS 113 W. Goodwin St.			TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE
CITY / STATE / ZIP CODE Prescott AZ 86303			16N	3W	17	40 ACRE
CONTACT PERSON NAME AND TITLE Doug Zuber			LATITUDE		LONGITUDE	
TELEPHONE NUMBER 430-348-1118			LAND SURFACE ELEVATION AT WELL		Feet Above Sea Level	
FAX			METHOD OF LATITUDE / LONGITUDE (CHECK ONE)			
			<input type="checkbox"/> USGS Quad Map <input type="checkbox"/> Conventional Survey <input type="checkbox"/> GPS: <input type="checkbox"/> Survey-Grade <input checked="" type="checkbox"/> Hand-Held			
			COUNTY ASSESSOR'S PARCEL ID NUMBER			
			BOOK	MAP	PARCEL	
			300	28	016P	
			COUNTY WHERE WELL IS LOCATED			
			Yavapai			

SECTION 2: DRILLER INFORMATION	
Drilling Firm	
NAME Del Rio Drilling & Pump Inc.	
DWR LICENSE NUMBER 530	
TELEPHONE NUMBER 928-6370-4272	FAX 928-636-1692

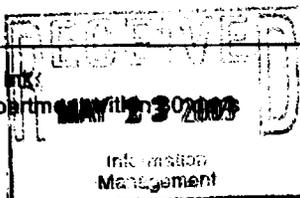
SECTION 3: WELL CONSTRUCTION DETAILS		
DATE WELL CONSTRUCTION STARTED 03-27-02	DATE WELL CONSTRUCTION COMPLETED 04-20-02	IF FLOWING WELL, METHOD OF FLOW REGULATION <input type="checkbox"/> Valve <input type="checkbox"/> Other:
Drill Method CHECK ONE <input checked="" type="checkbox"/> Air Rotary <input type="checkbox"/> Bored or Augered <input type="checkbox"/> Cable Tool <input type="checkbox"/> Dual Rotary <input type="checkbox"/> Mud Rotary <input type="checkbox"/> Reverse Circulation <input type="checkbox"/> Driven <input type="checkbox"/> Jetted <input type="checkbox"/> Air Percussion / Odex Tubing <input type="checkbox"/> Other (please specify):	Method of Well Development CHECK ONE <input checked="" type="checkbox"/> Airlift <input type="checkbox"/> Bail <input type="checkbox"/> Surge Block <input type="checkbox"/> Surge Pump <input type="checkbox"/> Other (please specify):	Method of Sealing at Reduction Points CHECK ONE <input checked="" type="checkbox"/> None <input type="checkbox"/> Packed <input type="checkbox"/> Swedged <input type="checkbox"/> Welded <input type="checkbox"/> Other (please specify):
STATIC WATER LEVEL 59' Feet Below Land Surface		
DATE MEASURED 04-20-02		

ANSWERED AUG 2 2 2002



Arizona Department of Water Resources
 Records Management Section
 500 N. 3rd Street • Phoenix, Arizona 85004
 (602) 417-2405 • (800) 352-8488
 www.water.az.gov

Pump Installation Completion Report



- ❖ Review instructions prior to completing form in black or blue ink.
- ❖ The registered well owner should file this report with the Department following installation of pump equipment.

WELL REGISTRATION NUMBER
55-589659
 PW 2

****PLEASE PRINT CLEARLY****

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL Harvard Investments		WELL LOCATION ADDRESS (IF ANY)					
MAILING ADDRESS 7600 E. Doubletree Ranch Road, Suite 220		TOWNSHIP(S) 16 North	RANGE (E/W) 3 West	SECTION 17	160 ACRE NW¼	40 ACRE NW¼	10 ACRE SW¼
CITY / STATE / ZIP CODE Scottsdale, Arizona 85258		COUNTY ASSESSOR'S PARCEL ID NUMBER (MOST RECENT)					
CONTACT PERSON NAME AND TITLE Doug Zuber		BOOK 300	MAP 28		PARCEL 016P		
TELEPHONE NUMBER (480) 348-1118	FAX (480) 348-8976	COUNTY WHERE WELL IS LOCATED Yavapai					

DATE PUMP INSTALLED 8/1/02	Pump Type CHECK ONE		Power Type CHECK ONE	
	<input type="checkbox"/> Air Lift	<input type="checkbox"/> Rotary	<input type="checkbox"/> Diesel Engine	<input type="checkbox"/> Windmill
	<input type="checkbox"/> Bucket	<input checked="" type="checkbox"/> Submersible	<input checked="" type="checkbox"/> Electric Motor	<input type="checkbox"/> Other (please specify):
	<input type="checkbox"/> Centrifugal	<input type="checkbox"/> Turbine	<input type="checkbox"/> Gasoline Engine	
	<input type="checkbox"/> Jet	<input type="checkbox"/> Other (please specify):	<input type="checkbox"/> Hand	
	<input type="checkbox"/> Piston		<input type="checkbox"/> Natural Gas	
RATED PUMP CAPACITY 530	Gallons Per Minute		HORSE POWER RATING OF MOTOR 60	

DATE WELL TESTED 8/1/02	CHECK ONE <input type="checkbox"/> Bailer <input type="checkbox"/> Bucket – Barrel – Stopwatch <input type="checkbox"/> Current <input type="checkbox"/> Estimated – Air Lift <input type="checkbox"/> Gauge <input checked="" type="checkbox"/> Meter <input type="checkbox"/> Orifice <input type="checkbox"/> Volume <input type="checkbox"/> Weir – Furniture <input type="checkbox"/> Other (please specify):	CHECK ONE <input type="checkbox"/> Air Line <input checked="" type="checkbox"/> Electric Measuring Line (Sounder) <input type="checkbox"/> Steel Tape <input type="checkbox"/> Other (please specify):
STATIC WATER LEVEL (A) 57.2		
Feet Below Land Surface		
PUMPING WATER LEVEL (B) 148.29		
Feet Below Land Surface		
DRAWDOWN [(B) – (A)] 91.09		
Feet Below Land Surface		
TEST PUMPING RATE 530		
Gallons Per Minute		
DURATION OF PUMP TEST (Minimum 4 Hours) 12		
Hours		
TOTAL PUMPING LIFT		
Feet		
FOR FLOWING WELL, MEASURED SHUT IN HEAD	<input type="checkbox"/> FT	
	<input type="checkbox"/> PSI	

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief according to A.R.S. § 45-600(B).

SIGNATURE OF WELL OWNER

DATE
5.21.03

ANSWERED MAY 23 2003

EXHIBIT 4

Driller's Report and Pump Installation Report for well 3

**constructed between
May 13 – May 15, 2002**

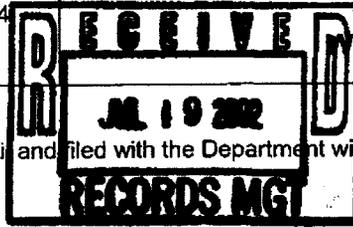
**pump installation completed
September 12, 2002**



Arizona Department of Water Resources
 Records Management Section
 500 N. 3rd Street • Phoenix, Arizona 85004
 (602) 417-2405 • (800) 352-8488
 www.water.az.gov

Well Driller Report

and
 Well Log



- ❖ Review instructions prior to completing form
- ❖ This report should be prepared by the driller in detail and filed with the Department within 30 days following completion of the well.

WELL REGISTRATION NUMBER 55-589660
PERMIT NUMBER (IF ISSUED)

**** PLEASE PRINT CLEARLY ****

SECTION 1: REGISTRY INFORMATION	
Well Owner: FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL Horvath Inv.	Location of Well: WELL LOCATION ADDRESS (IF ANY)
MAILING ADDRESS 113 W. Goodwin St.	TOWNSHIP (N/S) RANGE (E/W) SECTION 16N 3W 17
CITY / STATE / ZIP CODE Prescott, Az. 86303	160 ACRE 40 ACRE 10 ACRE nw ¼ nw ¼ sw ¼
CONTACT PERSON NAME AND TITLE Doug Zuber	LATITUDE LONGITUDE ° ' " N ° ' " W
TELEPHONE NUMBER FAX 430-1118	LAND SURFACE ELEVATION AT WELL Feet Above Sea Level
	METHOD OF LATITUDE / LONGITUDE (CHECK ONE) <input type="checkbox"/> Hand-Held <input type="checkbox"/> USGS Quad Map <input type="checkbox"/> Conventional Survey <input type="checkbox"/> GPS: <input type="checkbox"/> Survey-Grade
	COUNTY ASSESSOR'S PARCEL ID NUMBER BOOK MAP PARCEL 300- 28- 016P
	COUNTY WHERE WELL IS LOCATED Yavapai

SECTION 2: DRILLING AUTHORIZATION	
Driller Name Del Rio Drilling	
DWR LICENSE NUMBER 530	
TELEPHONE NUMBER (928) 636-4272	FAX (928) 636-1692

SECTION 3: WELL CONSTRUCTION DETAILS		
DATE WELL CONSTRUCTION STARTED 05-13-02	DATE WELL CONSTRUCTION COMPLETED 05-15-02	IF FLOWING WELL, METHOD OF FLOW REGULATION <input type="checkbox"/> Valve <input type="checkbox"/> Other:
Drill Method: CHECK ONE <input checked="" type="checkbox"/> Air Rotary <input type="checkbox"/> Bored or Augered <input type="checkbox"/> Cable Tool <input type="checkbox"/> Dual Rotary <input type="checkbox"/> Mud Rotary <input type="checkbox"/> Reverse Circulation <input type="checkbox"/> Driven <input type="checkbox"/> Jetted <input type="checkbox"/> Air Percussion / Odex Tubing <input type="checkbox"/> Other (please specify):	Method of Well Development: CHECK ONE <input checked="" type="checkbox"/> Airlift <input type="checkbox"/> Bail <input type="checkbox"/> Surge Block <input type="checkbox"/> Surge Pump <input type="checkbox"/> Other (please specify):	Method of Sealing at Reduction Points: CHECK ONE <input checked="" type="checkbox"/> None <input type="checkbox"/> Packed <input type="checkbox"/> Swedged <input type="checkbox"/> Welded <input type="checkbox"/> Other (please specify):
Water Level Information:		
STATIC WATER LEVEL 23' Feet Below Land Surface		
DATE MEASURED 05-15-02		

ANSWERED SEP 18 2002



Arizona Department of Water Resources
 Records Management Section
 500 N. 3rd Street • Phoenix, Arizona 85004
 (602) 417-2405 • (800) 352-8488
 www.water.az.gov

Pump Installation Completion Report

- ❖ Review instructions prior to completing form in black or blue ink
- ❖ The registered well owner should file this report with the Department within 30 days following installation of pump equipment.

RECEIVED
MAY 23 2003
 Information

WELL REGISTRATION NUMBER
55-589660

PW 3

****PLEASE PRINT CLEARLY****

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL Harvard Investments		WELL LOCATION ADDRESS (IF ANY)					
MAILING ADDRESS 7600 E. Doubletree Ranch Road, Suite 220		TOWNSHIP (NS)	RANGE (EW)	SECTION	180 ACRE	40 ACRE	10 ACRE
CITY / STATE / ZIP CODE Scottsdale, Arizona 85258		16 North	3 West	17	NW¼	NW¼	SW¼
CONTACT PERSON NAME AND TITLE Doug Zuber		COUNTY ASSESSOR'S PARCEL ID NUMBER (MOST RECENT)			PARCEL		
TELEPHONE NUMBER (480) 348-1118		BOOK 300	MAP 28	PARCEL 016P			
FAX (480) 348-8976		COUNTY WHERE WELL IS LOCATED Yavapai					

DATE PUMP INSTALLED 9/12/02	Pump Type CHECK ONE		Power Type CHECK ONE	
	<input type="checkbox"/> Air Lift	<input type="checkbox"/> Rotary	<input type="checkbox"/> Diesel Engine	<input type="checkbox"/> Windmill
	<input type="checkbox"/> Bucket	<input checked="" type="checkbox"/> Submersible	<input checked="" type="checkbox"/> Electric Motor	<input type="checkbox"/> Other (please specify):
	<input type="checkbox"/> Centrifugal	<input type="checkbox"/> Turbine	<input type="checkbox"/> Gasoline Engine	
	<input type="checkbox"/> Jet	<input type="checkbox"/> Other (please specify):	<input type="checkbox"/> Hand	
	<input type="checkbox"/> Pliston		<input type="checkbox"/> Natural Gas	
RATED PUMP CAPACITY 430	Gallons Per Minute		HORSE POWER RATING OF MOTOR 60	

DATE WELL TESTED 9/12/02	CHECK ONE <input type="checkbox"/> Bailer <input type="checkbox"/> Bucket - Barrel - Stopwatch <input type="checkbox"/> Current <input type="checkbox"/> Estimated - Air Lift <input type="checkbox"/> Gauge <input checked="" type="checkbox"/> Meter <input type="checkbox"/> Orifice <input type="checkbox"/> Volume <input type="checkbox"/> Weir - Furniture <input type="checkbox"/> Other (please specify):	CHECK ONE <input type="checkbox"/> Air Line <input checked="" type="checkbox"/> Electric Measuring Line (Sounder) <input type="checkbox"/> Steel Tape <input type="checkbox"/> Other (please specify):
STATIC WATER LEVEL (A) 40.44 Feet Below Land Surface		
PUMPING WATER LEVEL (B) 165.62 Feet Below Land Surface		
DRAWDOWN [(B) - (A)] 125.18 Feet Below Land Surface		
TEST PUMPING RATE 430 Gallons Per Minute		
DURATION OF PUMP TEST (Minimum 4 Hours) 24 Hours		
TOTAL PUMPING LIFT Feet		
FOR FLOWING WELL, MEASURED SHUT IN HEAD	<input type="checkbox"/> FT	<input type="checkbox"/> PSI

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief according to A.R.S. § 45-600(B).

SIGNATURE OF WELL OWNER

[Handwritten Signature]

DATE

5.21.03

EXHIBIT 5

**Bill of Sale
Well 2**

Fee	17
S8	✓
SS	
S1	✓
26	

Recorded at the re

B-4629 P-156
Page: 1 of 17
CORR 4271743

When Recorded, MAIL TO:
ICR WATER USERS ASSN
P.O. BOX 5669
CHINO VALLEY AZ 86323

MB

UNOFFICIAL COPY

RE-RECORDED TO ADD
SCHEDULE OF VALUES
IN EXHIBIT A

FEE
\$4
\$8
\$5
\$1
73
PK

When Recorded, Return to:

Robert Metti, Esq.
Snell & Wilmer
40 North Central Avenue
Phoenix, AZ 85004-4429

I-4598 P-645
Page: 1 of 14
IS 4238258

I-4629 P-156
Page: 2 of 17
ORR 4271743

BILL OF SALE
(Production Well 2)

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, **TALKING ROCK GOLF CLUB, L.L.C.**, an Arizona limited liability company, ("Seller"), hereby sells, transfers, conveys and absolutely sets over to **ICR WATER USERS ASSOCIATION**, an Arizona public service corporation ("Buyer"), (a) that well identified on Arizona Department of Water Resources records as Well Registration No. 55-589659 located at the property described on Exhibit "1" attached hereto, including all casing, pumps, motors, valves, pipes, meters, electrical facilities and connections, fencing and other parts, equipment, machinery and appurtenances used in the operation of the well (collectively, "Production Well 2"); and (b) that 12-inch water pipeline located at the property described on Exhibit "2" attached hereto, including valves and other parts, equipment, and other connecting facilities, extending from Production Well 2 to the Off-Site Main (herein defined) (collectively, the "PW-2 Connection Facilities"). The Off-Site Main is that 12-inch water transmission pipeline depicted on Exhibit "3" that extends from the wellfield developed at that property described on Exhibit "4" to a master-planned community commonly known as Talking Rock Ranch.

Seller hereby warrants title to Production Well 2 and the PW-2 Connection Facilities, subject to (i) taxes and assessments not yet due and payable; (ii) the terms, conditions, covenants and restrictions contained in that Well Agreement dated February 25, 2003, as amended (the "Well Agreement") between Harvard Simon I, L.L.C., an Arizona limited liability company ("Harvard Simon"), Buyer and Talking Rock Golf Club, L.L.C., an Arizona limited liability company, including, without limitation, paragraphs 12 and 13 thereof; (iii) the terms, conditions, covenants 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 (the "Deed"); and (iv) all other matters of record. Buyer hereby accepts Production Well 2 and the PW-2 Connection Facilities subject to the terms, conditions, covenants and restrictions contained in the Well Agreement and the terms, conditions, covenants and restrictions contained in the Deed. In addition to the terms, conditions, covenants and restrictions contained in the Well Agreement or in the Deed, Buyer agrees that the maximum production capacity of Production Well 2 shall not exceed 530 gallons per minute, and Buyer shall not increase the production capacity of Production Well 2 beyond 530 gallons per minute without the express written consent of Seller, or their successors and assigns. Notwithstanding anything to the contrary contained herein, Seller warrants title to Production Well 2 free and clear of any monetary liens, encumbrances or security interests (other than liens for taxes and assessments not yet due and payable).

Seller warrants that Production Well 2 will be free from all defects and deficiencies in construction, materials and/or workmanship for the longer of (i) one (1) year from the date hereof, or (ii) for the same period of time that the construction warranties provided to Seller pertaining to Production Well 2 remain in effect, if said construction warranties provided to Seller pertaining to Production Well 2 extend beyond the one-year period. During the warranty period, Seller agrees to promptly undertake any necessary corrective construction efforts required to remedy any defects and deficiencies in construction, materials and/or workmanship upon notice by Buyer. Upon Buyer's acceptance of this Bill of Sale, Buyer shall be deemed to have accepted Production Well 2 in "as is" and "as-constructed" condition, subject only to the warranty concerning defects and deficiencies in construction, materials and/or workmanship provided for herein. Seller makes no representation or warranty whatsoever as to the quantity or quality of water that may be produced from Production Well 2, either on the date hereof or in the future.

IN WITNESS WHEREOF, Seller and Buyer have duly executed this Bill of Sale (Production Well 2) as of this 21st day of May, 2008.

SELLER:

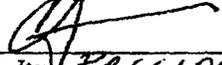
TALKING ROCK GOLF CLUB, L.L.C., an Arizona
limited liability company

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

Its: **Manager**

By: **HARVARD TALKING ROCK, L.L.C.**,
an Arizona limited liability company
Its: **Operating Member**

By: **HARVARD INVESTMENTS, INC.**,
a Nevada corporation
Its: **Manager**

By: 
Its: **PRESIDENT**

BUYER:

**ICR WATER USERS ASSOCIATION, an Arizona
public service corporation**

By: W. Earl Cummings, WE Cummings
Its: President

STATE OF ARIZONA)
) ss
County of Maricopa)

The foregoing instrument was acknowledged before me this 21st day of May, 2008, by Craig Krumholz, the President of HARVARD INVESTMENTS, INC., a Nevada corporation, Manager of HARVARD TALKING ROCK, L.L.C., an Arizona limited liability company, Operating Member of HARVARD SIMON I, L.L.C., an Arizona limited liability company, Manager of TALKING ROCK GOLF CLUB, L.L.C., an Arizona limited liability company, on behalf of the company.

Kimberly Korp
Notary Public

My Commission Expires:



KIMBERLY KORP
Notary Public - Arizona
Maricopa County
Expires 09/14/2011

STATE OF ARIZONA)
) ss
County of Yavapai)

The foregoing instrument was acknowledged before me this 20th day of May, 2008, by W. Earl Cummings, the President of ICR WATER USERS ASSOCIATION, an Arizona public service corporation, on behalf of the corporation.

Raylene M. Junkins
Notary Public

My Commission Expires:

Oct 31, 2008

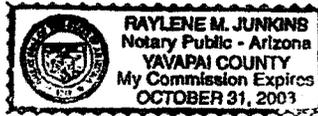


EXHIBIT 6

**Bill of Sale
Well 3**

When Recorded, Return to:

Michael T. Hallam, Esq.
Lewis and Roca, LLP
40 North Central Avenue
Phoenix, AZ 85004-4429



3647401 BK 4088 PG 386
Yavapai County, Arizona
Patsy Jenney-Colon, Recorder
10/28/2003 10:11A PAGE 1 OF 13
FIRST AMERICAN TITLE INS CO
RECORDING FEE 13.00
SURCHARGE 8.00
POSTAGE 1.00

BILL OF SALE
(Production Well)

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, **TALKING ROCK LAND, L.L.C.**, an Arizona limited liability company, ("Seller"), hereby sells, transfers, conveys and absolutely sets over to **ICR WATER USERS ASSOCIATION**, an Arizona public service corporation ("Buyer"), (a) that well identified on Arizona Department of Water Resources records as Well Registration No. 55-589660 located at the property described on Exhibit "1" attached hereto, including all casing, pumps, motors, valves, pipes, meters, electrical facilities and connections, fencing and other parts, equipment, machinery and appurtenances used in the operation of the well (collectively, "Production Well 3"); and (b) that 12-inch water pipeline located at the property described on Exhibit "2" attached hereto, including valves and other parts, equipment, and other connecting facilities, extending from Production Well 3 to the Off-Site Main (herein defined) (collectively, the "PW-3 Connection Facilities"). The Off-Site Main is that 12-inch water transmission pipeline depicted on Exhibit "3" that extends from the wellfield developed by Seller at that property described on Exhibit "4" to a master-planned community commonly known as Talking Rock Ranch.

Seller hereby warrants title to Production Well 3 and the PW-3 Connection Facilities, subject to (i) taxes and assessments not yet due and payable; (ii) the terms, conditions, covenants and restrictions contained in that Well Agreement dated February 25, 2003, as amended (the "Well Agreement") between Harvard Simon I, L.L.C., an Arizona limited liability company ("Harvard Simon"), Buyer and Talking Rock Golf Club, L.L.C., an Arizona limited liability company, including, without limitation, paragraphs 12 and 13 thereof; (iii) the terms, conditions, covenants 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 (the "Deed"); and (iv) all other matters of record. Harvard Simon has assigned all of its rights and obligations under the Well Agreement to Seller, and Seller has assumed the same. Buyer hereby accepts Production Well 3 and the PW-3 Connection Facilities subject to the terms, conditions, covenants and restrictions contained in the Well Agreement and the terms, conditions, covenants and restrictions contained in the Deed. In addition to the terms, conditions, covenants and restrictions contained in the Well Agreement or in the Deed, Buyer agrees that the maximum production capacity of Production Well 3 shall not exceed 430 gallons per minute, and Buyer shall not increase the production capacity of Production Well 3 beyond 430 gallons per minute without the express written consent of Seller and Talking Rock Golf Club, L.L.C., an Arizona limited liability company, or their successors and assigns.

Notwithstanding anything to the contrary contained herein, Seller warrants title to Production Well 3 free and clear of any monetary liens, encumbrances or security interests (other than liens for taxes and assessments not yet due and payable).

Seller warrants that Production Well 3 will be free from all defects and deficiencies in construction, materials and/or workmanship for the longer of (i) one (1) year from the date hereof, or (ii) for the same period of time that the construction warranties provided to Seller pertaining to Production Well 3 remain in effect, if said construction warranties provided to Seller pertaining to Production Well 3 extend beyond the one-year period. During the warranty period, Seller agrees to promptly undertake any necessary corrective construction efforts required to remedy any defects and deficiencies in construction, materials and/or workmanship upon notice by Buyer. Upon Buyer's acceptance of this Bill of Sale, Buyer shall be deemed to have accepted Production Well 3 in "as is" and "as-constructed" condition, subject only to the warranty concerning defects and deficiencies in construction, materials and/or workmanship provided for herein. Seller makes no representation or warranty whatsoever as to the quantity or quality of water that may be produced from Production Well 3, either on the date hereof or in the future.

IN WITNESS WHEREOF, Seller and Buyer have duly executed this Bill of Sale (Production Well) as of this 28 day of October, 2003.

SELLER:

TALKING ROCK LAND, L.L.C., an Arizona
limited liability company

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

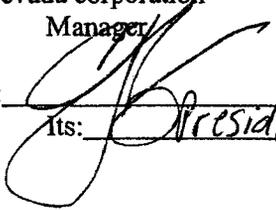
Its: Manager

By: HARVARD TALKING ROCK, L.L.C.,
an Arizona limited liability company

Its: Operating Member

By: HARVARD INVESTMENTS, INC.,
a Nevada corporation

Its: Manager

By: 

Its: President

BUYER:

ICR WATER USERS ASSOCIATION, an Arizona
public service corporation

By: JM'Craine
Its: Manager - Board of Dir

STATE OF ARIZONA)
) ss
County of Maricopa)

The foregoing instrument was acknowledged before me this 20th day of October, 2003, by Craig Krumwiede, the President of HARVARD INVESTMENTS, INC., a Nevada corporation, Manager of HARVARD TALKING ROCK, L.L.C., an Arizona limited liability company, Operating Member of HARVARD SIMON I, L.L.C., an Arizona limited liability company, Manager of TALKING ROCK LAND, L.L.C., an Arizona limited liability company, on behalf of the company.

D Bora Y. Tarrant
Notary Public

My Commission Expires:

12/01/06



Notary Public State of Arizona
Maricopa County
D'Bora Y Tarrant
Expires December 01, 2008

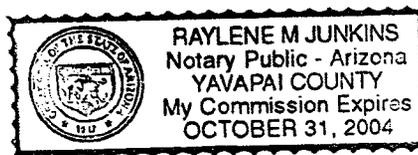
STATE OF ARIZONA)
) ss
County of YAVAPAI)

The foregoing instrument was acknowledged before me this 27th day of October, 2003, by Hooye McCraine, the Manager / Board Dir of ICR WATER USERS ASSOCIATION, an Arizona public service corporation, on behalf of the corporation.

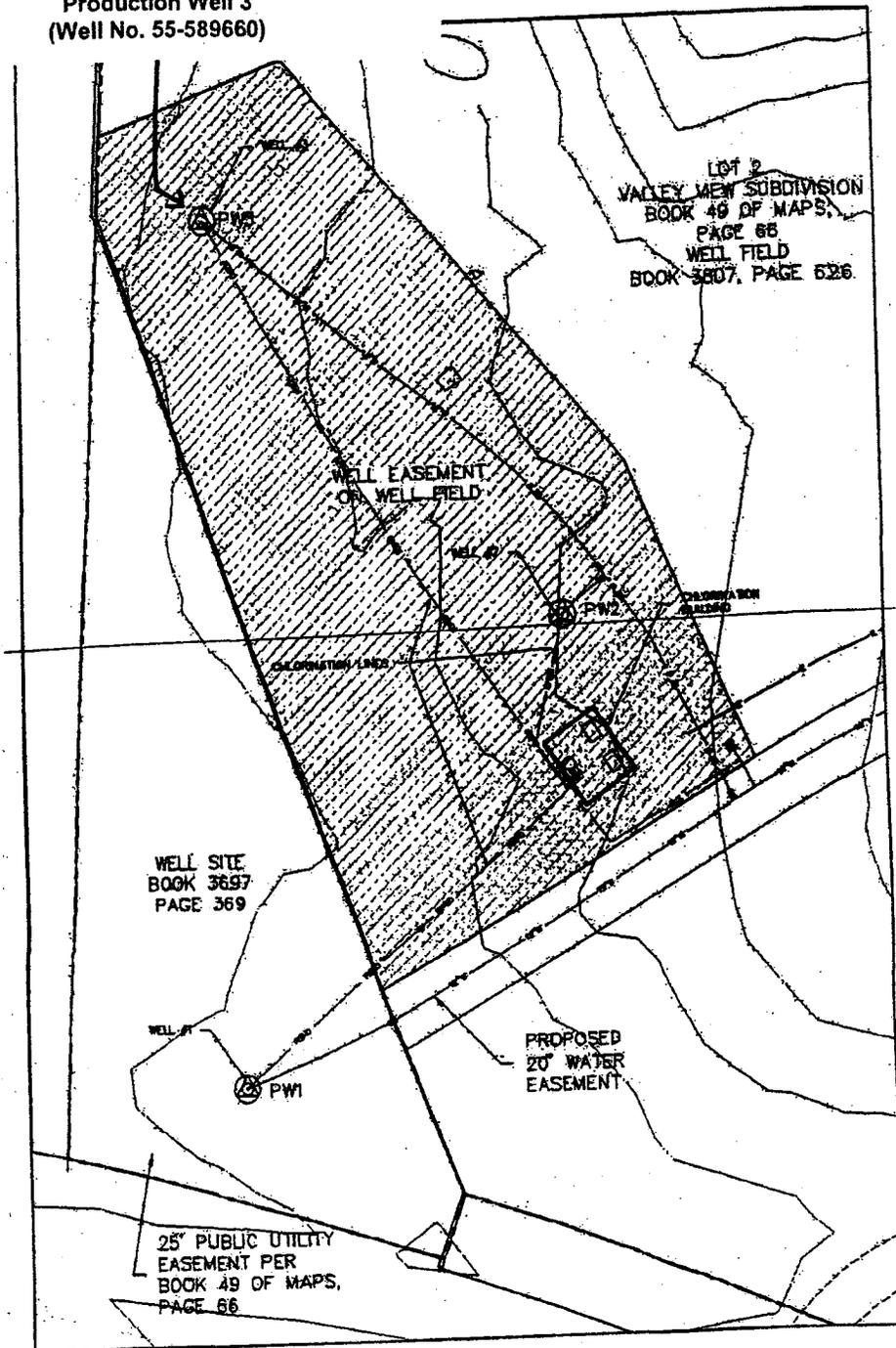
Raylene M. Jenkins
Notary Public

My Commission Expires:

Oct 31 2004



**Production Well 3
(Well No. 55-589660)**



**RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION**

EXHIBIT 7

**Well Agreement
Pages 1 and 11**

WELL AGREEMENT

THIS WELL AGREEMENT (this "Agreement") is made this 25th day of February, 2003 by and between ICR WATER USERS ASSOCIATION, an Arizona public service corporation ("Utility"), HARVARD SIMON I, L.L.C., an Arizona limited liability company ("Developer"), and TALKING ROCK GOLF, L.L.C., an Arizona limited liability company ("Talking Rock Golf") for the purposes and considerations hereinafter set forth.

RECITALS

A. Developer is the Second Beneficiary under the First American Title Insurance Agency of Yavapai, Inc. Trust No. 4750, which trust owns approximately 3,470 acres of real property situated in Yavapai County, Arizona, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Property"). Developer is authorized to obtain water and wastewater utility services for the Property. A portion of the Property, approximately 400 acres, was previously located within Utility's Certificate of Convenience and Necessity ("CC&N") as shown in the map attached hereto as Exhibit "B" and incorporated herein by this reference. Until recently, the remainder of the Property, approximately 3,070 acres (the "Extension Area"), as shown in Exhibit "B," was not located in the certificated service area of the Utility or of any other certificated water utility provider or in the service area of any municipal water utility service provider. The majority of the Property, approximately 2,500 acres, is located in an area eligible for membership in Utility pursuant to Utility's By-Laws.

B. Utility is a public service corporation as defined in Article XV, Section 2 of the Arizona Constitution and, as such, is regulated by the Arizona Corporation Commission ("Commission"). Utility has been granted a CC&N by the Commission authorizing Utility to provide water utility services.

C. Developer is developing a residential community at the Property to be known as the Talking Rock Ranch that will contain approximately 1627 residential dwellings, certain common areas and a ranch compound with a clubhouse, swimming pool, tennis courts and a health and fitness center. Developer requested that water utility service be extended and provided to the Property by Utility in furtherance of Developer's planned development of the Property. Pursuant to that Main Extension Agreement (Water Service) dated March 5, 2001, between Utility and Developer (the "Main Extension Agreement"), Utility sought approval from the Commission to extend Utilities' CC&N to include the Extension Area and to take all other actions and obtain other government approvals as necessary in connection with the extension of Utility's CC&N to include the Extension Area. Thereafter, Utility is willing to extend water utility service to the Property in accordance with the terms and conditions set forth in the Main Extension Agreement and in accordance with relevant law, including the rules and regulations of the Commission.

D. Pursuant to the Main Extension Agreement, Developer is obligated to construct and install certain Facilities, as defined in the Main Extension Agreement, including without limitation an off-site water transmission main (the "Off-Site Main") described in Exhibit "C" to the Main Extension Agreement.

amount of water Utility may withdraw from the Production Wells transferred and conveyed to Utility shall be 554 acre-feet ("Maximum Amount"). The Maximum Amount is based on the expected annual domestic demand for water at the Property at full-build, plus twenty-five percent (25%). In any calendar year, Utility shall not withdraw water from the Production Wells transferred and conveyed to Utility in excess of the Maximum Amount. The Maximum Amount shall not include water withdrawn from a Production Well and wheeled by Utility to the Golf Course pursuant to paragraph 14 and shall not include water withdrawn from a Production Well and wheeled by Utility to the Property for construction purposes pursuant to paragraph 15. The maximum flow rate measured at the Utility Meter that may be utilized by Utility for domestic water purposes (the "Maximum Flow Rate") shall be the lesser of (a) the actual combined production capacity of the Production Wells transferred and conveyed to Utility at the particular time in question under customary operating parameters, or (b) 687.5 gpm, which is based on the peak daily demand for water at the Property at full buildout, plus twenty-five (25%). The Maximum Flow Rate shall not include the flow rate of water withdrawn from a Golf Course Well (herein defined) or withdrawn from the Production Wells transferred and conveyed to Utility and wheeled to the Golf Course Meter pursuant to paragraph 14 or withdrawn from the Production Wells transferred and conveyed to Utility and wheeled to construction meters at the Property pursuant to paragraph 15. Utility shall have absolutely no right whatsoever to withdraw water from the Production Wells transferred and conveyed to Utility in excess of the Maximum Amount or to utilize water delivered to the Utility Meter for domestic water purposes at a rate in excess of the Maximum Flow Rate.

13. Location of Use. Utility shall use all water withdrawn from the Production Wells transferred and conveyed to Utility (a) to serve customers located within the Property; (b) to satisfy Talking Rock Golf's request for water for the Golf Course, to the extent water is wheeled to the Golf Course from a Production Well pursuant to paragraph 14, and (c) to satisfy Developer's request for construction water wheeled under paragraph 15. Utility shall not withdraw water from the Production Wells transferred and conveyed to Utility for any other purpose, or deliver such water to any other location, or serve such water to any customers located outside the Property.

14. Golf Course Water; Wheeling. Utility acknowledges that Talking Rock Golf has constructed the Golf Course at the Property. Except as provided in the Main Extension Agreement, Talking Rock Golf will provide water to the Golf Course, as follows:

(a) Developer has caused Production Well 1 to be constructed and installed at the Adjacent Property, having an estimated production rate of 525 gpm, assuming pumping for 12 hours per day independent of Production Well 2 and Production Well 3. Developer has conveyed Production Well 1 and Production Well 2 to Talking Rock Golf, along with the PW-2 Connection Facilities and the piping, valves and other facilities necessary to connect Production Well 1 to the Off-Site Main (the "PW-1 Connection Facilities"). Following the conveyance of Production Well 3 to Utility, and without limiting its rights under this paragraph 14, Talking Rock Golf will deliver water from Production Well 1 and Production Well 2 to the Golf Course to satisfy the landscape irrigation and lake fill demands at the Golf Course. Following the conveyance of Production Well 2 to Utility, and without limiting its rights under this paragraph 14, Talking Rock Golf will deliver water from Production Well 1 to satisfy the landscape irrigation and lake fill demands at the Golf Course. The terms "landscape irrigation" and "golf course irrigation" when used in this Well Agreement mean the irrigation of any and all

EXHIBIT 8

**"Report on the Results
of the
Three-Day Test
of the
TRR Well Field"**

October 24-27, 2007

Combined Yield

Given the decline of yield in individual wells during the test, the combined yield from the three wells generally declined over the test period, falling from about 1,200 gpm at the beginning of the test to 828 gpm at the end. Overall decline in combined yield was about 31 percent, figures 7 and 8.

Figure 7

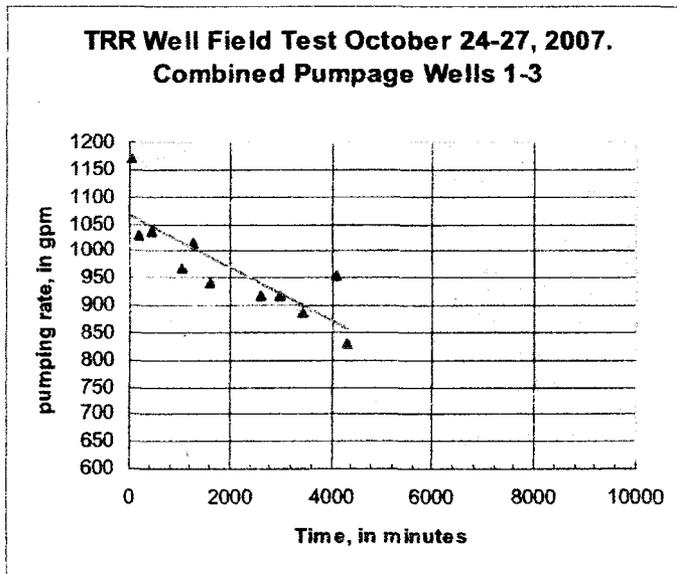


Figure 8

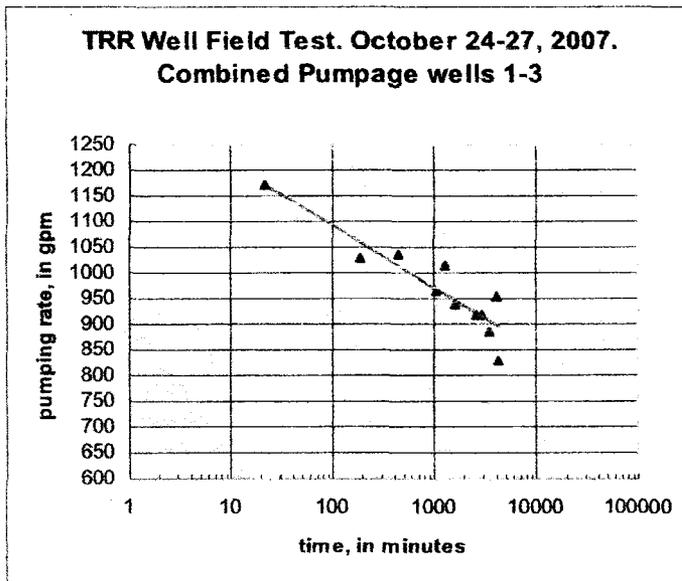


EXHIBIT 9

Minutes

ICR Board of Directors Meeting

August 26, 2008

ICR Water Users Association

MEMORANDUM

TO: Board Of Directors

FROM: Bob Busch

Date: August 26, 2008

Subject: Manager's Report

1. System Operations

Water Audit – The usage reports for July is attached. Last month the TRR System sold 1.7M gallons more than were pumped. This month, the system pumped .7M gallons more than sold. In reviewing meter reading data for the past few months, I discovered that the well read dates have been as much as two days before or after the read date for the golf course meter, which has probably caused wide fluctuations in monthly usage summaries. We will make a special effort in the future to read wells and golf course meter on the same day. In reviewing water loss year to date, we have pumped 66,590,000 gallons from January through July for the TRR System. The total unaccounted for water for January through July is 657,212 gallons. **This is less than 1% (.987%) water loss or unaccounted for, a very acceptable percentage.** The ICR System has pumped 16,240,000 year to date, and has 1,847,022 gallons unaccounted for, (11.37%).

Auto Pay Plan - 58 customers are presently signed up for Auto Pay.

2. Bills of Sale

Preserve at the Ranch – On hold.

Talking Rock – Following a meeting with Harvard on August 21st, Harvard has revised and resubmitted bills of sale with contractor invoice backup for all facilities completed in TRR from the beginning of the development to date. (Backup for phase 27- already transferred, has not yet been received, nor have contractor invoices been received for well costs.)

Attached is a summary of assets by phase and the value of each. The total value of the infrastructure presently operated by ICRWUA is \$6,649,233.42. Another 1,225,987 is pending with the completion of Phase 10. Since about 2.4 million is presently carried on ICRWUA financial statements, these bills of sale represent an additional 4.2 million.

Since no values were recorded with the original deeds for wells, pump station, and infrastructure transferred in 2003, it is planned to re-record those bills of sale, and to re-record the bills of sale for phase 2, because values listed in them were in error.

Whispering Canyon - Nothing new to report.

3. ADEQ Notice – re wells influenced by surface water - (Nothing new to report)

4. Financial Audit- Asset records have been provided to Constance Pinney. She is reviewing asset records vs backup data. No report yet received. **5. Talking Rock- Phases 10,12&13 – Acceptance** – A report providing the status of these infrastructure improvements has been provided to board members. A walkthrough is scheduled for August 28th.

6. Website - The new website, *icrwua.com* was activated late in July. The site presently has pages for rate case related information; service application and Auto Pay applications; newsletter; water quality report; meeting agenda; meeting minutes and an archives page for past meeting reports. The site also has a news flash link for the latest news. The cost for the website was estimated at \$800 to \$1,000, but actually cost \$1,214 including domain name and hosting setup. As a comparison, ICRWUA spent \$2,187.27 for postage and mailing expense in May and June for mailing information to members regarding the rate case.

The site received 247 visits during the last week of July and 276 unique site visits and 694 individual page visits since August 14th. The highest day total was 93 on Tuesday, July 29th.

7. Asset Records – In connection with the asset reconciliation of the Talking Rock infrastructure and associated adjustments to ICRWUA financials, I recommend that ICRWUA create a complete and detailed electronic record of all ICRWUA assets. Detailed information would then be available as to how many fire hydrants are in the system, how many feet of 8", 10", 12" pipe, etc, and the value of these items. Each asset should be classified to the subdivision and the NARUC plant account (which is manner ICRWUA reports assets to the ACC annually). I am investigating what type of software will be needed to record and maintain this kind of data.

Respectfully submitted,

Bob Busch

Attachment: July Water Usage Summary

P.O. Box 5669, Chino Valley, AZ 86323 Phone: (928) 583-0741 Fax: (928) 636-9771 P.O. Box 5669, Chino Valley, AZ 86323 Phone: (928) 583-0741 Fax: (928) 636-9771

Summary of Infrastructure Costs

Summary of Infrastructure Costs

STATUS OF CONVEYANCE OF TALKING ROCK WATER FACILITIES TO ICRWUA AS OF 8-22-08

WATER FACILITIES - BILLS OF SALE (8-08)

	Value	Status
Double Adobe - Phases 1, 2, and 3	\$401,028.74	OK to sign original
Double Adobe - Phase 3D	\$76,110.00	OK to sign original.
Double Adobe Phase 9D & 9D Water Loop	\$200,301.00	OK to sign original.
Phase 1A	\$615,438.00	See attached revised Bill of Sale & Backup
Phase 1B	\$237,214.00	See attached revised Bill of Sale & Backup
Phase 1C	\$501,698.00	See attached Bill of Sale & Backup
Phase 3A	\$78,600.00	OK to sign original
Phase 3B	\$34,834.00	OK to sign original
Phase 3C	\$41,779.00	OK to sign original.
Phase 3D	\$98,508.00	OK to sign original.
Phase 4A	\$29,939.00	OK to sign original
Phase 5	\$204,090.00	See attached Bill of Sale & Backup
Phase 8A	\$171,042.00	OK to sign original.
Phase 8B	\$137,414.00	See attached Bill of Sale & Backup
Phase 8C	\$197,998.00	OK to sign original
Phase 9A	\$176,702.00	OK to sign original.
Phase 9B	\$199,027.00	OK to sign original.
Phase 9C	\$266,446.00	OK to sign original.
Phase 9D	\$156,506.00	OK to sign original.
Phase 10	\$1,253,881.00	See attached Bill of Sale & Backup
	\$4,976,555.74	

WATER FACILITIES - BILLS OF SALE ACCEPTED AND/OR RECORDED

Facilities	Date	Value	Status
Production Well 3	10/28/2003	\$180,091.08	Need original to re-record. Summary of well cost attached.
Off-Site Main	10/27/2003	\$957,018.00	Was not recorded-need original to record. Backup attached
Chlorination Facilities	10/27/2003	\$14,618.02	Was not recorded-need original to record. Backup attached.
Phase 2	7/30/2007	\$300,572.00	Need original to re-record to reflect accurate costs-recorded
Phase 27	7/30/2007	\$125,037.00	Need original to re-record. Working on backup.
Production Well 2	5/27/2008	\$115,341.58	Need original to re-record. Summary of well cost attached.
		\$1,672,677.68	

PENDING WATER FACILITIES TO BE TRANSFERRED

Facilities	Value	Description
Water Tank & Booster Tank (Phase 9 & 10)	\$1,079,126.00	300,000 gal water tank
Production Well 1	\$81,543.00	Well Registration No. 55-584177
Ranch Compound	\$65,318.00	Utility Extension
	\$1,225,987.00	
TOTAL OF CONSTRUCTED FACILITIES	<u>\$7,875,220.42</u>	

EXHIBIT 10

Page 9
of
Audited
Financial Statement
for
year ending
December 31, 2007

by
Constance Pinney, CPA, PC

**ICR WATER USERS ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended December 31, 2007
 (continued)**

Changes in depreciation and amortization methods are regarded as changes in accounting estimates. When such changes are made, they are reflected in deferred debits and credits on the balance sheet.

Extraordinary Items and Prior Period Adjustments

Unusual, material and non-recurring items of income and expense, upon approval by the Arizona Corporation Commission, are treated as extraordinary items on the statement of net revenues.

Prior period adjustments, upon approval by the Arizona corporation Commission, are charged or credited to opening retained earnings.

NOTE 2: UTILITY PLANT AND EQUIPMENT

Utility plant in service, including appropriate equipment, consists of the following at December 31, 2007:

Inscription Canyon Ranch	\$ 1,462,941
Whispering Canyon	1,441,808
Talking Rock Ranch	6,533,592
The Preserve	None
Total Utility Plant in Service	\$ 9,438,341
Less: Accumulated Depreciation	- 927,140
Net Utility Plant and Equipment	<u>\$ 8,511,201</u>

Depreciation expense was \$193,482 for the year ended December 31, 2007. As required by the Uniform System of Accounts, this amount is reduced by a credit representing 2007 amortization of Contributions in Aid of Construction of \$35,479. The net depreciation appears on the Statement of Income and Expense and Changes in Members' Equity as \$158,003. (See Notes 1 and 6.)

Included in Utility Plant are three small parcels of land which hold a tank and two pump houses for the Inscription Canyon water system.

These notes and the accompanying independent auditor's report are an integral part of the financial statements.

EXHIBIT 11

Monthly
Power
Costs

2006-2007

Power cost for Talking Rock water system for 2006 and 2007

Source of information

Email files from Robert Busch:

2006 PWR July 23 2008 3:49:55 PM MST

2006 PWR July 23 2008 6:52:35 PM MST

2006 PWR July 28 2008 7:00:51 PM MST

2006 PWR August 27 2008 5:47:56 AM MST

Monthly 2006 Power Costs					
month	power cost	total water pumped	unit power cost	water sent to golf course	golf course power cost
January	\$3,849	6,005,000	\$0.64	4,857,000	\$3,113
February	\$3,686	6,027,000	\$0.61	4,584,000	\$2,803
March	\$4,372	3,774,000	\$1.16	2,759,000	\$3,196
April	\$5,053	10,310,000	\$0.49	9,536,000	\$4,674
May	\$8,957	26,858,000	\$0.33	24,058,000	\$8,023
June	\$10,409	28,867,000	\$0.36	23,745,000	\$8,562
July	\$10,468	14,636,000	\$0.72	11,764,000	\$8,414
August	\$7,851	15,825,000	\$0.50	12,940,000	\$6,420
September	\$7,556	12,027,000	\$0.63	10,045,000	\$6,311
October	\$7,879	12,026,000	\$0.66	11,321,000	\$7,417
November	\$5,125	6,878,000	\$0.75	6,058,000	\$4,514
December	\$4,284	5,634,000	\$0.76	3,359,000	\$2,554
Total	\$79,489	148,867,000		125,026,000	\$66,001

Monthly 2007 Power Costs					
month	power cost	total water pumped	unit power cost	water sent to golf course	golf course power cost
January	\$3,330	1,763,000	\$1.89	1,084,000	\$2,047
February	\$3,367	2,467,000	\$1.36	1,691,000	\$2,308
March	\$5,346	10,067,000	\$0.53	894,000	\$475
April	\$7,114	12,835,000	\$0.55	12,642,000	\$7,007
May	\$8,572	21,850,000	\$0.39	19,310,000	\$7,576
June	\$10,579	24,218,000	\$0.44	23,611,000	\$10,314
July	\$11,616	26,619,000	\$0.44	23,277,000	\$10,158
August	\$6,854	12,652,000	\$0.54	13,753,000	\$7,450
September	\$8,584	16,714,000	\$0.51	14,196,000	\$7,291
October	\$7,912	10,450,000	\$0.76	9,169,000	\$6,942
November	\$4,060	11,625,000	\$0.35	10,415,000	\$3,637
December	\$5,804	2,573,000	\$2.26	767,000	\$1,730
Total	\$83,138	153,833,000		130,809,000	\$66,935