

ORIGINAL

MEMORANDUM

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FROM: Steven M. Olea
Director
Utilities Division

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
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SEP -1 2009

DATE: September 1, 2009

RE: ICR WATER USERS ASSOCIATION - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINE (DOCKET NO. W-02824A-07-0388)

In Decision No. 70977, dated May 5, 2009, the Arizona Corporation Commission ("Commission") approved the application of ICR Water Users Association ("ICR" or "Company") for approval of the Company's request for an increase in its rates and charges for utility service.

As part of Decision No. 70977, the Commission ordered that ICR ensure that:

"ownership of all utility infrastructure constructed to serve TR Ranch and not already transferred to ICR Water Users Association, Inc. is transferred to ICR and that ICR files, within 120 days after the effective date of this Decision, as a compliance item in this docket, documentation establishing that such transfer has taken place".

Based on the May 5, 2009 date of Decision No. 70977 and the 120 day due date applied to the infrastructure transfer, the original due date for this item is on or about September 5, 2009.

On August 10, 2009, the Company filed a request for extension of the above compliance deadline relating to the transfer of utility infrastructure. The application stated that the Company has, to date, "accepted the transfer of over \$6.7 million in infrastructure" and that "approximately \$6.7 million of that has been transferred to ICRWUA via more than 20 different Bills of Sale since the Public Hearing in December of 2008". The Company further stated that one significant transfer for a new pumping/storage facility remains. The cost of this final transfer is considerable at over \$1.1 million and this infrastructure is important in that it is expected to provide service to a "substantial" portion of the future development of Talking Rock Ranch.

ICR is not yet satisfied with the equipment, having observed some abnormal operation and is seeking additional testing to show that the plant is operating at full capability. This requires developing testing criteria and then conducting the testing with the involvement of operators, engineers, vendors and/or manufacturers.

ICR states that it is not in the best interest of the Company to transfer the infrastructure until a determination has been made that the plant is performing properly. However, due to scheduling conflicts of the parties, the necessary testing is not possible until late August at earliest and ICR has filed for this extension of time to allow for contingencies. They therefore seek an extension of time for filing the documents finalizing the transfer of all infrastructure until October 27, 2009.

On August 31, 2009, Staff had a conversation with Mr. Robert M. Busch, Manager, ICR Water Users Association, to discuss the request for extension. Mr. Busch confirmed that the Company has testing to accomplish to confirm the proper operation of the infrastructure to be transferred. He did state that there were some issues with the periphery equipment necessary to test the subject infrastructure. However, Mr. Busch stated that he had no significant additions to the application and did state his opinion that the request for extension of time until October 27, 2009, remained acceptable.

Staff is in agreement that ICR should diligently inspect all infrastructure to be transferred and finds that a request for extension is appropriate. Although Mr. Busch stated his hope that the October 27, 2009 requested date would be acceptable, Staff considers it reasonable, given the challenge of developing and conducting testing with numerous parties, to grant a small amount of additional time above and beyond the Company's request.

Staff therefore recommends that the Commission approve a request for extension of time until December 31, 2009.

EGJ:BKB:lhm\KOT

Originator: Brian K. Bozzo

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DOCKET NO. W-02824A-07-0388

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