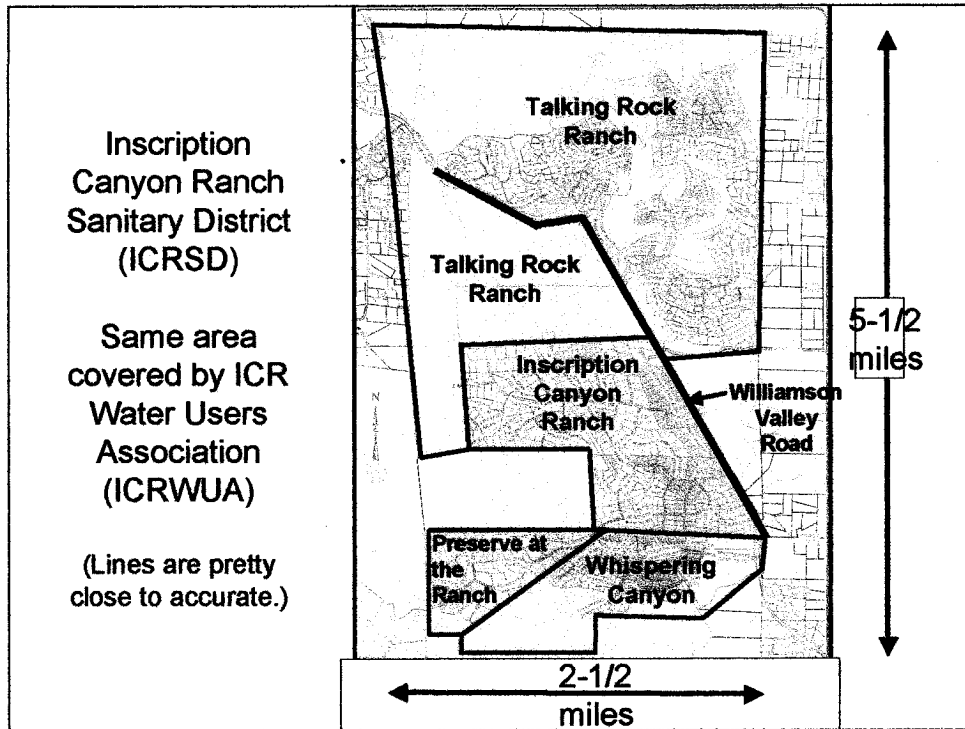


I supply.

You decide.

Thank you for coming. My name is Dayne Taylor, and I have real concerns about the way things have been handled regarding our water management, but I hope you will get enough information tonight to help you decide for yourself what is best for our water association.

I'll supply--you decide.



As you can see, the sanitary district, and the water users footprint is the same.

The area is almost 14 square miles.

**Residential Dwellings
at Build-out**

Inscription Canyon Ranch	356
Whispering Canyon	400
Preserve at the Ranch	38
Talking Rock Ranch	1,625
TOTAL	2,419

These figures show the customers/households the Water Users Association could have when they reach full build-out.

At one time Talking Rock had forecast that they would achieve build-out in approximately ten years. They now say it could be 30 years or more.

Simple arithmetic with today's averages of about 4K gallons per house per month equates to TRR using 6.5 million gallons per day In comparison to the other three developments combined at just over 3M (less than half what TRR uses).

AND...the TR figure does not include the Golf Course's average need of just over 10M gallons per month.

Customer Base
(per 2008 ICRWUA business meeting)

	<u>2006</u>	<u>2007</u>
Inscription Canyon Ranch	218	226
Whispering Canyon	37	49
Preserve at the Ranch	1	2
Talking Rock Ranch	108	162
TOTAL	364	439

This slide shows the approximate number of today's water customers, which is less than 20% of build-out.

Reason to request Intervener status

- **Water rate paid by Talking Rock Golf Club was not in compliance with AZ Corporation Commission Decision 64360.**
(Everyone pays \$2.80 per 1,000 gallons **except Talking Rock Golf Club and Talking Rock Ranch Construction** who pay less than \$0.04 per 1,000 gallons.)
- **There are issues with transfer of wells from TRR to ICRWUA.**
(ICRWUA received well #3 when well #1 was designated. Decision 64360 directed that within 365 days a back-up well also be provided.)

This slide shows the two main reasons I asked to be an Intervener.

Since 2001, I've attended and have had some involvement with the water board.

Knowing that there were discrepancies in the well agreement, I have been waiting six years for an opportunity to express my concerns with the Arizona Corporation Commission.

This opportunity presented itself when the Water Board filed for a rate increase in 2007.

Why should a for-profit golf course be allowed to pay greatly reduced rates from a not-for-profit water company—and use precious ground water besides?

And not only that, certain wells were not turned over to the water company, which directly contradicted the orders of the ACC.

Regarding the Letter of Understanding (LOU)

The LOU brings up more questions than it answers:

- **Decision 64360 is circumvented regarding tariffs.**
- Terms "special contract," "supply agreement," "AIAC," and "CIAC" are used and not defined.
- Implications of the above are not indicated.
- **Decision 64360 is circumvented because the LOU doesn't define Talking Rock Golf Club as a customer (who should pay the same tariff as everyone else).**
- After one year, future charges are vague.
- Operating costs will be shared similar to the existing well agreement. The well agreement established rates outside Decision 64360.
- **Definitely does not define a commodity/water rate.**
- Etc.

You all should have received the LOU in the mail.

I am not going to go into all the terms mentioned here, but you can see there are some real concerns with what was presented in the LOU.

Again, amongst other things, rates were not directly addressed.

Regarding the Letter of Understanding (LOU)

Possible advantages of the LOU:

- ICRWUA may have three wells (and the adequacy issue may be resolved).
- Talking Rock Golf Club would pay proportionately for water treatment (i.e., chlorination or possible well-field contamination, if and when required).
- Attorney's fees paid if ICRWUA accepts Talking Rock's terms, all their terms.
- Air production in Well #2 will be addressed.

I emphasize the word "may" in the first bullet due to the many contingencies in the LOU.

I also question the "proportionate" payment mentioned in the second bullet. I hope that proportionate would mean greater than 4 cents per 1K gallons. That is what TRGC pays today as compared to the \$2.80 the rest of us pay for the same.

Regarding the last bullet, air in Well #2, I ask, why would our water board even consider a well that wasn't functioning properly? Believe it or not, that well was transferred to the company May 2008.

Regarding the Letter of Understanding (LOU)

Deceptions in the LOU:

- 1. The LOU states that Talking Rock will pay \$125,000 up-front plus the \$50,000 System Reservation Charge. Up to this point, TR has paid—for the east side of Williamson Valley Road—100% for power bills and 60% for water operator. Now, instead of those payments, ICRWUA, for one year, would receive the above-mentioned \$175,000. This would leave approximately \$53,000 for up to 525 acre-feet of water (a rate even less than TRGC pays now).**

Recent one-year history regarding TR contributions:

Electricity = \$80,000
Operator = \$42,372
Total = \$122,372

When the bill-of-sale for TRR's infrastructure was transferred to the ICRWUA, electrical billing was not included. Therefore, for the past six years ICRWUA has not had to consider that portion of financial responsibility.

Due to the rate case and the questions raised regarding Maintenance, Repair, and Operations costs, TRGC revealed that ICRWUA would become responsible for the power costs.

This is VERY alarming in that not only are the vast majority of power costs associated with pumping from 132M to 172M gallons to the golf course and TRR construction, but the water used would be from company-owned wells.

Another consideration is that if we don't get Well #1, then TRGC ONLY pays wheeling costs, which is, again, about 4 cents per 1K gallons.

The portion they would not pay is electricity to move water from the boost station to the golf course.

This means that before we even start, \$122K is washed out of the \$175K TRGC says is a generous offer. This doesn't even consider depreciation that at this time is totally footed by the water company.

Regarding the Letter of Understanding (LOU)

Deceptions in the LOU:

2. "Financial Assistance" from TR:

Had ICRWUA and TRGC not entered into a **private** contract without ACC approval, there would be no need for TRGC to offer **financial assistance** of \$30,000 for ICRWUA's execution of a "supply agreement."

Instead, by now TRGC would have paid **several hundred thousand dollars** more for water delivered by ICRWUA to the golf course.

There also would be no need for TRGC to offer additional **financial assistance** of \$50,000 "when" they receive ACC approval of the "Special Contract."

TR says we now need a "supply agreement" and a "special contract."

In their words, these would amend and **largely** supersede ALL OTHER agreements.

I don't know about you, but I don't feel comfortable with everything being contingent on doing it Talking Rock's way...or else.

Regarding the Letter of Understanding (LOU)

Deceptions in the LOU:

3. Term: The LOU says the supply contract shall have a term equal to **35 years!**

Contrary to that, the Arizona Corporation Commission requires a rate review approximately every **five** years.

(Has anyone heard what the next "proposed rate" may be?)

Facts:

- The rate must be approved by the ACC.
- TRGC must agree to be a customer regulated by the ACC.
- The commodity rate must be reviewed at each rate case hearing.

Comments on ICRWUA

May 27, 2008 Letter

Quote from letter:

"Talking Rock Golf Club could secure an additional water source and connect to the TRGC storage pond.

This could allow TRGC to disconnect from the ICRWUA system altogether

which would significantly reduce ICRWUA revenues and could increase customer rates by almost 70%."

Response:

No supporting data was provided to substantiate any of this.

Now I wish to change the subject to the Water Users Association letter we all got last week.

The statements on this slide were made with no back-up provided at all.

We all can say that this or that COULD happen, but where do we get numbers like 70%?

I hope we will all receive substantiated numbers before we try to make any decision.

Comments on ICRWUA

May 27, 2008 Letter

Quote from letter:

"The relationship between ICRWUA and TRGC would continue to be defined by the Well Agreement if the LOU is not implemented."

Interpretation:

If the ICRWUA doesn't adopt the LOU, the ICRWUA will be "required" by TR to follow the Well Agreement (instead of Decision 64360).

Response:

Why is Decision 64360 being ignored?

I think this slide speaks for itself.

Why are we following a well agreement that has already gotten us in trouble?

Again, where is compliance to Decision 64360?

Comments on ICRWUA

May 27, 2008 Letter

Quote from letter:

"Talking Rock Golf Club still owns the best producing well, Well #1. The ICRWUA believes that Well #1 is capable of producing nearly all the water needed to irrigate the golf course."

Response:

Per the well agreement, all water pumped through Well #1 will provide revenue at the rate of 4 cents per 1,000 gallons
(525 acre feet = 171,071,775 gallons)
or **171,000,000 gallons per year x .04 = \$6,842.00.**

If this water went to a homeowner, this income would be
171,000,000 x \$2.80 = \$478,800.00.

In time, TRGC will be paying less to the company due to more effluent being available. And of course, this would also mean less demand on ground water.

In closing, I'd like to say that I feel we need to be firm in our stand that TR comply with Decision 64360,

and TR needs to line up the LOU with 64360.

They need to quit beating around the bush with "new" contracts, agreements, or perks to entice us to give them inequitable rates that are strictly to THEIR advantage.

My opinion is that there isn't a water customer in this room who is absolutely sure what the LOU consists of.

The only thing I'm sure of regarding the LOU is that it doesn't comply with Decision 64360.

Thanks for your time, and now I am going to turn it over to Bill Meyer.