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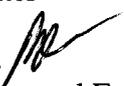
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AZ CORP COMMISSION  
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**COMPLIANCE  
MEMORANDUM**

**TO:** Docket Control Center  
**FROM:** Patrick C. Williams   
Manager, Compliance and Enforcement  
Utilities Division  
**DATE:** June 18, 2001

This Memorandum to the Docket will certify that compliance, as described below, has been met for the referenced utility.

**UTILITY:** Pine Valley Water Company

**DOCKET NO.** W-02181A-00-0766 **DECISION NO.** 63681

**COMPLIANCE ACTION:**

*File on or before May 31, 2001, a schedule of the rates and charges approved by the Commission.*

**DUE DATE:** 05/31/2001 **DATE COMPLIED:** 06/08/2001

Arizona Corporation Commission

**DOCKETED**

JUN 18 2001

DOCKETED BY	
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cc: Pine Valley Water Company  
480 Raintree Road  
Sedona, Arizona 86351

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# PINE VALLEY WATER COMPANY

480 Raintree Road Sedona Arizona 86351

Phone 520-284-1819 Fax 520-284-9311

ARIZONA CORPORATION  
COMMISSION



ATTN: COMPLIANCE SECTION

ENCLOSED PLEASE FIND 1

COPY OF OUR SCHEDULE OF RATES  
& CHARGES AND 1 COPY OF OUR

CUSTOMER NOTIFICATION (SENT WITH  
JUNE 1ST WATER BILLING) THAT

WE ARE REQUIRED TO FILE WITH  
YOU AS ORDERED BY THE

COMMISSION 5/24/01 DECISION 63681

DOCKET W-02181A-00-0766

LANOS WISCHMEID



# PINE WALLEY WATER COMPANY

480 Raintree Road Sedona Arizona 86351

Phone 520-284-1819 Fax 520-284-9311

May 31, 2001

Dear Customer,

We are writing this letter with a bit of egg on our faces. When we applied for our rate increase in October of last year, we thought we had all of our ducks in a row. Well when the Arizona Corporation Commission (ACC) Auditor finished reviewing our accounting numbers it turned out we didn't even have enough ducks to make a row.

The auditor pointed out the personal loans that Pete and Judy had made to the water company to cover operating expenses. He also pointed out the many hours of labor Pete and Judy had done for the water company including building and installing the new pump house, pumps and needed repiping over the years. Almost all of this kind of work was never recorded and never paid for by the water company.

None of these practices are illegal but they are a very poor way to hold down costs on the books, making it look like we were losing less money each month to be able to operate on our existing rate structure. Needless to say after 2 visits to our office and more then a dozen phone calls the auditor and his staff recompiled our rate increase application.

The result: our 90-day period for application analysis became 7 months, the auditor established rate increase is larger then we requested (to actually cover operating expenses), and we had a valuable lesson in bookkeeping for both ourselves and our accountant(s) (we have had several most of who did not understand water company bookkeeping).

The ACC ruled on the application reviewing both our rate request and the auditors. They ruled on May 24<sup>th</sup>, 2001 that the auditor's rates were both reasonable and fair and shall be effective for all service provided on or after June 1<sup>st</sup>, 2001. The rate increase may come as a bit of a surprise to some customers but, as mentioned above, we held the rate low for too many years operating at a loss, made up for out of our personal pockets and Lance Enterprises income from tank sales (which it no longer has).

Enclosed you will find a rate sheet detailing the rates as ruled by the Corporation Commission. Should you have any questions please give us a call at the water company, we have a complete copy of the ACC ruling should you be inclined to read the report in it's entirety.

Lance Wischmeier  
Vice President  
Pine Valley Water Company