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Arizona Corporation Commission
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JUL 26 2002

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Attorney for Red Rock Water CoOperative, Inc.

**AZ CORP COMMISSION
DOCUMENT CONTROL**

BEFORE THE ARIZONA CORPORATION COMMISSION

**WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER**

DOCKET NO. WS-04052A-01-0794

**APPLICANT'S SECOND
SUPPLEMENTAL SUBMISSION
IN SUPPORT OF APPLICATION
FOR AN ADJUDICATION "NOT A
PUBLIC SERVICE
CORPORATION"**

**IN THE MATTER OF THE
APPLICATION OF RED ROCK
WATER COOPERATIVE, INC. FOR
ADJUDICATION THAT IT IS NOT A
PUBLIC SERVICE CORPORATION.**

Applicant, Red Rock Water CoOperative, Inc., by and through the undersigned counsel, hereby submits in support of its Application for an Adjudication "Not a Public Service Corporation" the following:

Attached hereto as Exhibit A is a true and correct copy of a July 3, 2002 Declaration of Kay Holland.

Attached hereto as Exhibit B is a true and correct copy of a July 11 2002 Declaration of Jay Elmer.

Respectfully submitted,

Elizabeth A. McFarland
Elizabeth A. McFarland

1 COPY of the foregoing
2 was mailed by United States Mail,
3 prepaid postage attached, on
4 July 11, 2002, to

5 Docket Control
6 Arizona Corporation Commission
7 1200 West Washington Street
8 Phoenix, Arizona 85007

9 Deborah Dobson
10 375 Mockingbird Lane
11 Sedona, Arizona 86336

12 AND

13 COPY of the foregoing
14 was faxed to (602) 542-4870
15 and mailed by United States
16 Mail, prepaid postage attached,
17 on July 11, 2002, to

18 Timothy J. Sabo
19 Attorney, Legal Division
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, Arizona 85007

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Elizabeth McFarland

EXHIBIT "A"

1 the Cooperative were available for each member's review upon
2 reasonable notice. Ms. Dobson has never requested an
3 opportunity to review the books and records of the Cooperative.
4 The Board of Directors of the Cooperative met on July 2, 2002 and
5 resolved that all books and records of the Cooperative for the
6 previous year will be made available for inspection, by all
7 members, at the annual meeting held in January of each year.

8 4. I have mailed notices of rate increase and explanation of such
9 increase to all members of the Cooperative. For example, when a
10 \$300 assessment was made, I notified each member of the
11 Cooperative of that increase and the reason for the increase by
12 first class mail. A true and correct copy of that correspondence is
13 attached hereto as Exhibit A. Ms. Dobson responded and paid the
14 assessment. A true and correct copy of Ms. Dobson's response is
15 attached hereto as Exhibit B. Ms. Dobson is paying the \$300.00
16 assessment at the rate of \$20.00 per month. Ms. Dobson currently
17 has an outstanding balance on this assessment in the amount of
18 \$150.00. All other members have paid this assessment in full.

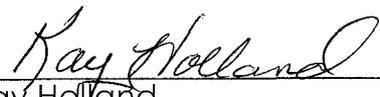
19 5. In addition, the Board has explained, both before and after each
20 increase or assessment was adopted by a majority vote of the
21 members, the increase and the reason for the increase. After the
22 January 2002 meeting of the members, which was the
23 Cooperative's first meeting of members, I sent each member a
24 copy of the minutes by registered mail. A true and correct copy of
25 this correspondence is attached hereto as Exhibit C. I did not
26 receive a return receipt for Ms. Dobson, which would indicate that
27 she did not pick up the registered mail. A copy of the minutes for
28 the January 2002 meeting was previously submitted to the

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Commission as Exhibit C to the Applicant's Supplemental Submission. Despite Ms. Dobson's apparent failure to collect the registered mail regarding the \$20.00 monthly assessment, Ms. Dobson is paying this \$20.00 assessment each month.

- 6. In addition, it is my practice as the Secretary/Treasurer of the Cooperative to mail financial reports for the Cooperative to each member every six months. A true and correct copy of the most recent financial report is attached hereto as Exhibit D. The financial reports reflect expenses for various repairs to the water system.

If called upon to testify before the Commission, I would testify as set forth above. Executed this 3rd day of July, 2002, at Sedona, Arizona.



Kay Holland

EXHIBIT "A"

SEPT. 2002

RED ROCK WATER CORP.
70 MOCKINGBIRD SPUR
SEDONA, AZ.
282-7898

TO ALL SHAREHOLDERS;

AS MANY OF YOU KNOW IN RECENT WEEKS, WE HAVE EXPERIENCED PROBLEMS WITH OUR WATER SYSTEM.

THIS PROBLEM NEEDS TO BE ADDRESSED IMMEDIATELY, OR WE WILL BE COMPLETELY OUT OF WATER.

DO TO EXPENSES, WE HAVE HAD IN THE LAST 1-2 YEARS, WITH THE STATE CORPORATION COMMISSION, AND ATTORNEY FEES, COMBINED WITH THE FACT THAT WE NOW HAVE LESS USERS ON THE SYSTEM, THERE ARE NOT ENOUGH FUNDS AVAILABLE FOR THE NECESSARY REPAIRS.

THIS LETTER IS TO NOTIFY ALL SHAREHOLDERS, THAT IT IS NECESSARY AT THIS TIME TO HAVE AN ASSESSMENT FEE OF \$ 300.00 TO BE PAID BY EACH SHAREHOLDER.

THIS ASSESSMENT, COMBINED WITH AN INCREASE IN MONTHLY CHARGES, WHICH WILL INCREASE FROM \$ 1.50 PER 1000 GALLONS AFTER BASE RATE TO \$ 2.50 PER 1000 GALLONS AFTER BASE RATE.

THIS IS ALL NECESSARY IN ORDER TO, NOT ONLY PAY FOR THE REPAIRS THAT ARE NECESSARY IMMEDIATELY, BUT TO HELP OFFSET, ADDITIONAL COST ANTICIPATED WITHIN THE NEXT YEAR.

AS MANY OF YOU KNOW OUR WATER SYSTEM, RESERVOIR, PUMPS, AND PRESSURE TANK, ALONG WITH MOST CONTROLS ARE NOW UP TO 25 YEARS OLD, AFTER THIS LENGTH OF TIME, MANY PARTS ARE WEARING OUT. IN ORDER TO HAVE A RESERVE AND TO BE ABLE TO REPLACE THESE ITEMS, WE COULD EASILY BE SPENDING \$ 10,000 - \$ 15,000 DOLLARS. THIS ASSESSMENT AND ADDITIONAL CHARGES, WILL AT LEAST HELP WITH SOME OF IT.

THERE ARE SEVERAL NAMES ON THIS LIST OF SHAREHOLDERS, THAT ARE NOW USING THEIR OWN WELL, AND RETAINING THEIR SHARE IN RED ROCK WATER, AS A SHAREHOLDER YOU ARE RESPONSIBLE FOR MAINTAINING THE WATER SYSTEM, IN ORDER TO HAVE THE OPPORTUNITY TO USE WATER

BY YOU AS A SHAREHOLDER, AND ARE SUBJECT TO THIS ACESMENT. IF YOU DO NOT WISH TO HAVE THESE CHARGES, YOU MAY AT THIS TIME REMOVE YOURSELF AS A SHAREHOLDER, WITH A LETTER OF RELEASE SIGNED BY YOU. IF YOU DO NOT WISH TO SIGN AND DELIVER THE RELEASE, YOU ARE SUBJECT TO THE ACESMENT. IF YOU WISH TO RETAIN YOUR SHARE THE ACESMENT FEE IS APPLICABLE, AND YOU WILL BE ENTITLED TO WATER WHEN NEEDED, WITH THE NORMAL HOOKUP FEE AND WATER USAGE FEE.

IF ANYONE DOES NOT AGREE WITH THIS ACESMENT AND INCREASE, THEY CAN CALL THEIR ATTORNY WHICH IS STEVE OWENS AT 284-0899 ~~THEY WILL BE RESPONSIBLE FOR THE CHARGES.. STEVE OWENS IS RED~~ ROCK WATERS ATTORNEY, AND ALL SHAREHOLDERS YOU ARE RED ROCK WATER CORPOATION.

THANK YOU

EXHIBIT "B"

Attorney Steve Owens
25 Bell Rock Plaza, Suite A
Village of Oak Creek, AZ 86351

October 4, 2001

Dear Attorney Owens,

Enclosed please find a copy of the two documents I received yesterday from the Red Rock Water CoOp. As you can see, I am being billed for the cost of the water I used as well as the entire assessment fee. This concerns me because I cannot afford to pay the entire \$300 at this time (property taxes are also due on Nov. 1st), there was no initial "due date" specified when we were first informed of the assessment fees, and because I sent you a letter three days earlier voicing my concern about the lack of documentation for the assessment. I wanted to hear back from you first before I paid anything toward the assessment fee. Now, if I don't pay at least something toward the assessment fee, I am afraid the Elmers will attempt to shut my water off.

I called my neighbor Tim Wright last night who is also buying water from the CoOp, and asked him whether he paid the full \$300 and he said that he sent in \$100. If this has been acceptable to the Elmers (ie: partial payments), I would request that this courtesy be extended to me as well.

With regard to the second document "TO ALL SHAREHOLDERS", I assume that this was sent to all the CoOp well users. If this is true, it is an attempt on the part of the Elmers to "point the finger" at one stubborn CoOp member - me. I contacted several of the other users earlier concerning the rate increase and pointed out that we could be charged more than even some of the large water companies, whose overhead is more evenly distributed than ours. Thus, they are aware of my position in this situation and will know who the writer of the second document is referring to.

I consider this an underhanded and unnecessary way of dealing with a difference of opinion. On one hand we CoOp users were invited to contact both you and the AZ Corporation Commission if we had any questions. Now that I have done so, I am made out to be the "bad guy" here!

I do not think my concerns are unreasonable. I have presented this situation to several unbiased friends and asked for their honest feedback. They all unanimously agreed that at the very least, documentation to support an assessment fee was fair and that voting on the expenditure of CoOp monies should be voted on by the well users.

Finally, I need to correct one of my prior concerns. In my letter of Oct. 1, I said that Jim Miner's signature was included on the two petitions. I believed that, since he went to the expense and trouble of drilling a shared well with his next-door neighbor, John Villegas, he was no longer buying water from the Red Rock Water CoOp. I have since learned that his home is still connected to the CoOp's system. This makes him a member of the CoOp and my question about whether his signature was valid is not an issue. I do still wonder though, about Cindy Cullen's signature, as she is now deceased.

Thank you for your time and I look forward to hearing from you.

Sincerely,

Deborah A. Nelson

RED ROCK WATER
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

DEBORAH DOBSON
375 MOCKINGBIRD LANE
SEDONA, AZ. 86336

BILLING FOR MONTH OF SEPT. 2001

PREVIOUS READING 506370

CURRENT READING 514460

TOTAL GALLONS 8,090

BASE RATE FOR FIRST
1000 GALLONS \$ 15.00

\$ 1.50 PER 1000 GALLONS
AFTER BASE \$ 10.63
7,090

ASSESSMENT TOTAL THIS MONTH \$ 25.63
\$ 300.00

PAST DUE

TOTAL DUE \$ 325.63

OVER →

Rec'd
10/3/01

RED ROCK WATER
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

TO ALL SHAREHOLDERS,

THIS IS JUST TO LET EVERYONE KNOW THAT ALL BUT 1 OF THE MEMBERS HAVE SIGNED , AND RETURNED THEIR PAPERS FOR THE INCORPORATION, AND THAT IT SHOULD BE COMPLETED THIS MONTH.

WHEN THE INCORPORATION IS COMPLETED, THERE WILL BE A MEETING TO DISCUSS, HOW WE SHOULD DO THE RATE INCREASE, AND ANYTHING ELSE THAT ANYONE OF YOU THINK WE SHOULD DISCUSS. WE WILL LET YOU KNOW OF THE MEETING, AND TIME AND PLACE.

WE ALSO NEED TO INFORM YOU, THAT A COMPLAINT HAS BEEN FILED, TO THE CORPORATION COMMISSION, BY 1 OF OUR MEMBERS, AND THAT AS A RESULT, WE WILL BE FACING MORE ATTORNEY FEES..

THE \$ 300.00 ASSESSMENT WILL STAY AS IT IS, AND IS STILL DUE AND PAYABLE AT THIS TIME, ALSO ANY PAST DUE ACCOUNTS SHOULD BE PAID AT THIS TIME.

THANK YOU

EXHIBIT "C"

RED ROCK WATER
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336
FEB. 2002

STEVE HOLLAND
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

THIS LETTER IS TO INFORM YOU OF THE DECISIONS THAT WERE MADE AT THE ANNUAL MEETING OF RED ROCK WATER, HELD JAN. 8, 2002.

THERE WERE 8 OUT OF 11 SHAREHOLDERS PRESENT AT THIS MEETING, WITH NO PROXY'S HANDED IN BY THE OTHER 3 SHAREHOLDERS.

1. ELECTION OF OFFICERS WAS HELD, WITH CHUCK COULTER, BEING ELECTED AS PRESIDENT, JAY ELMER VICE PRESIDENT, AND KAY HOLLAND SEC. TREAS.

AT THE TIME THE FOLLOWING DECISIONS WERE MADE THERE WERE 6 SHAREHOLDERS PRESENT AT THE MEETING, REPRESENTING A QUORUM, WHICH IS NEEDED, IN ORDER TO MAKE DECISIONS. ALL OF THE FOLLOWING CHANGES WERE VOTED ON, AND PASSED BY A VOTE OF 6-0 IN FAVOR OF THESE CHANGES.

1. PERTAINING TO THE PREVIOUS ASSESSMENT OF \$ 300.00 AS THERE WAS NO DEADLINE SET AT THE TIME, OF THE ASSESSMENT, IT WAS DECIDED THAT, BY MARCH 1, 2002, THOSE WHO HAVE NOT ACKNOWLEDGED THE ASSESSMENT, SHOULD DO SO BY THIS TIME WITH A PAYMENT OF AT LEAST \$ 50.00. THIS PAYMENT, SHOULD BE MADE EACH MONTH, UNTIL THE ASSESSMENT IS PAID.

2. IN ORDER TO PAY OUR OUTSTANDING DEBTS, AND HAVE FUNDS FOR PROBLEMS THAT WILL HAPPEN THIS SUMMER, AND OBTAIN ENOUGH FUNDS IN OUR ACCOUNT TO PURCHASE SOME OF THE NECESSARY ITEMS, THAT ARE NEEDED TO KEEP OUR WATER SYSTEM RUNNING, IT WAS DECIDED THAT A MONTHLY ASSESSMENT, OF \$ 20.00 BE PAID, BY EACH AND EVERY SHAREHOLDER.

THIS \$ 20.00 ASSESSMENT WILL BEGIN MARCH 1, 2002, AND IS IN ADDITION TO YOUR REGULAR WATER BILL. THIS ASSESSMENT WILL BE REVIEWED AT THE ANNUAL MEETING HELD JAN. 2003.

3. AN INCREASE FROM \$1.50 PER 1000 GALLONS, TO \$2.00 PER 1000 GALLONS AFTER BASE RATE OF \$ 15.00. THIS INCREASE WILL BE REVIEWED AT THE ANNUAL MEETING JAN. 2003.

3. THE BOARD HAS THE RIGHT TO USE THEIR JUDGEMENT, IN CASE OF, WHAT REPAIRS ARE NEEDED, AND WHO TO CALL TO MAKE THESE REPAIRS THAT

ARE NEEDED, IF THE WATER SYSTEM HAS PROBLEMS, AND WE HAVE NO WATER.

4. A MORE DETAILED EXPLANATION OF THESE REPAIRS, WILL BE MADE KNOWN TO ALL SHAREHOLDERS.

5. FOR INSURANCE REASONS THE SIGHT WHERE, THE WATER STORAGE SYSTEM IS, AND THE WELL SIGHT SHOULD BE FENCED. THIS SHOULD BE A 6 FOOT CHAIN LINK FENCE. CHUCK COULTER OFFERED SOME FENCING THAT HE HAS.

A

CHUCK, JAY, STEVE, AND TIM OFFERED THEIR TIME TO INSTALL IT.

THANK YOU
RED ROCK WATER

EXHIBIT "D"

RED ROCK WATER
 ACTIVITY REPORT - BALANCE SHEET
 JAN. 1, 2002 - JUNE 15, 2002

MONTH	DEPOSITS	APS	LEASE	MANAG.	MISC.
JAN.	394.70	55.26	194.45	50.00	681.01
FEB.	234.26	72.39	126.00	50.00	23.64
MARCH	599.17	66.59	126.00	50.00	374.36
APRIL	679.96	68.31	126.00	50.00	200.00
MAY	619.78	99.85	126.00	50.00	583.04
JUNE	639.21	146.43	126.00	50.00	257.72

TOTAL \$ 3,167.08 \$ 508.83 \$ 824.45 \$ 300.00 \$ 2,119.77

BEGINNING BALANCE JAN. 1, 2002 \$ 983.01
 DEPOSITS JAN. 2002 - JUNE 15, 2002 \$ 3,167.08
 EXPENCES JAN. 2002 - JUNE 15, 2002 \$ 3,753.05

ENDING BALANCE JUNE 15, 2002 \$ 397.04

MISC. JAN. ATTORNEY \$ 207.01
 STAMPS \$ 34.00
 HOLLAND \$ 440.00 THIS IS THE BALANCE OF
 WHAT WAS DUE FROM SEPT.
 2001 REPAIRS TO WATER SYSTEM.
 THE TOTAL BILL WAS \$ 840.00

FEB. - POSTAGE \$ 23.64 FOR CERTIFIED LETTERS

MAR. - ATTORNEY \$ 374.36

APRIL - ATTORNEY \$ 200.00

MAY - ATTORNEY \$ 165.12
 N. AZ. PUMP \$ 417.92 CHANGE RELAY & 1G100 WARRICK

JUNE - ATTORNEY \$ 213.72
 STAMPS \$ 34.00
 AZ. CORP. \$ 10.00

AS OF JUNE 15, 2002 WE STILL HAVE OUTSTANDING DEBTS OF \$ 540.00
 TO SEDONA PLUMBING FOR REPAIRS INCURRED IN AUG., AND SEPT. 2001

ATTORNEY FEES OF \$ 200.00 PLUS INTEREST.
THE TOTAL BILL TO SEDONA PLUMBING WAS 1,043.62 , THESE EXPENSES
OCCURED IN AUG. AND SEPT. OF 2001 WHEN OUR WATER WAS OUT.
PARTS- \$ 186.30 TAX \$ 17.32 LABOR 42 HRS. @ \$ 20.00 HR. \$ 840.00

NOTHERN AZ. PUMP PART OF THESE EXPENSES OCCURED IN AUG. 2001,
AND FEB. 2002. PARTS - \$ 205.00 TAX \$ 12.92 LABOR 4 1/2 HR. @ \$ 45.00 PER
HR. TOTAL BILL \$ 417.92

THESE ACTIVITY REPORTS COME OUT TO EVERYONE ON A SIX MONTHS BASIS, THAT IS
WHAT, WAS DECIDED WOULD BE ENOUGH TO KEEP EVERYONE INFORMED OF THE
ACTIVITY, OF OUR CHECKING ACCOUNT

EXHIBIT "B"

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ELIZABETH A. MCFARLAND
SUITE A, 25 BELL ROCK PLAZA
SEDONA, ARIZONA 86351-8804
TELEPHONE (928)284-0899
TELEFAX (928)284-9885

Attorney for Red Rock Water CoOperative, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL)	DOCKET NO. WS-04052A-01-0794
CHAIRMAN)	
JIM IRVIN)	
COMMISSIONER)	DECLARATION OF JAY ELMER
MARC SPITZER)	
COMMISSIONER)	
IN THE MATTER OF THE APPLICATION)	
OF RED ROCK WATER COOPERATIVE,)	
INC. FOR ADJUDICATION THAT IT IS)	
NOT A PUBLIC SERVICE)	
CORPORATION.)	

I, JAY ELMER, do hereby declare and affirm under the penalty of perjury under the laws of the State of Arizona:

1. I am an adult, a resident of Yavapai County, Arizona, and am competent to make this declaration.
2. I am the past president of Red Rock Water CoOperative, Inc..
3. I have been involved with Red Rock Water CoOperative, Inc. (the "Cooperative") since approximately 1976 when the well was dug, and therefore am very familiar with the history of the Cooperative.
4. Deborah Dobson purchased the property at 375 Mockingbird Lane, Sedona, Arizona, approximately seven years ago (October 1995). When she purchased her property, the existence of the Cooperative and the fact that the property was served by a private well, not public water company, was or should have been

1 disclosed in the title report, and to the best of my knowledge this
2 was done.

3 5. About one year before Ms. Dobson purchased her property, the
4 Cooperative elected, by majority vote of the then members, to
5 install meters to determine the water use of each member. Prior to
6 that vote, each member had paid \$15.00 per month for as much
7 water as that member decided to use. The Cooperative
8 determined that this was unfair because some members used a
9 great deal of water and others used hardly any. As a result of this
10 disparity and increasing costs, the Cooperative elected to install a
11 meter and charge each member for actual use. As a member of
12 the Cooperative at that time, Ms. Dobson had the opportunity to
13 participate in this decision.

14 6. After the installation of the water meters, the members who used
15 very little water continued to be billed in the \$15.00 to \$20.00
16 range. The members who used more water had larger bills.

17 7. The above-mentioned installation of water meters took place
18 approximately June of 1994, and I believe Ms. Dobson's first meter
19 reading was October 1995. To the best of my knowledge a short
20 time later Ms. Dobson backed over a water hydrant on the west
21 end of her property breaking it. Steve Holland at that time
22 proceeded to shut her water off at the meter and was surprised to
23 find that it did not shut the water off to the broken hydrant. He
24 then proceeded to shut the water off to that branch of the main
25 system and made the repair to the hydrant. I was notified the
26 following week and was somewhat confused myself. After a while
27 I remembered that about 10 years earlier when there were no
28 meters and the only charge was \$15.00 per month for unlimited

1 usage that there were two rentals on the property. There is no way
2 that the individual installing the meters would have known this
3 being there was only a single residence on the property at the time
4 meters were installed. When this was brought to Ms. Dobson's
5 attention, she refused to allow any one on her property to tie that
6 additional line in to her meter or to disconnect it from the main. This
7 went on for 4 to 6 months with Ms. Dobson threatening to bring
8 charges against anyone who trespassed on her property to make
9 the repair. It was not until a meeting with ADEQ and a
10 representative of the Corporation Commission that she agreed to
11 allow us to repair the problem. Since that time things have
12 continued to get worse due to her complaining. At this time if it
13 were not for the \$20.00 assessment fee added to the monthly bills
14 (due to Ms. Dobson's complaints to ADEQ and the Corporation
15 Commission), there are a couple of users on the system that would
16 still be paying less than \$20.00 per month.

17 8. The assessment to the members for maintenance of the
18 Cooperative's well was increased during the time I was President
19 of the Cooperative. The increase resulted from (1) the need to
20 increase the fund available for repair and maintenance of the well
21 and (2) legal fees resulting from the incorporation of the
22 Cooperative and this action.

23 9. The well and water system are now over twenty-five years old.
24 They are and will be in almost constant need of repair. For
25 example, there is currently a pump which will need to be replaced
26 in the near future; it might last two weeks or two months, but not
27 much longer than that. A replacement pump will cost
28 approximately \$1,600.00. At present, the Cooperative has \$300.00

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Those who can afford to dig their own wells would rather do so, even if the expense is over \$15,000.00, rather than deal with Ms. Dobson at annual meetings and the like. Not only is she creating unnecessary expense for the other members to bear, but she is also unpleasant to deal with. If those six members withdraw, then those least able to afford to maintain the system will be left with a small number of members to fund the maintenance.

14. If the Cooperative, for whatever reason, is not able to raise the capital necessary to install a new pump, then the members will have no choice but to terminate the Cooperative and let those who can afford to do so drill private wells. Unfortunately, if the Cooperative is terminated, those who cannot afford to drill private wells will be without water.

15. The members of the Cooperative are of the opinion that Ms. Dobson should be required to bear the legal fees of the Cooperative in this matter.

If called upon to testify before the Commission, I would testify as set forth above. Executed this 11th day of July, 2002, at Sedona, Arizona.



Jay Elmer