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MEMORANDUM

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AZ CORP COMMISSION
DOCUMENT CONTROL

TO: Docket Control

FROM: Janie Woller *Janie*
Consumer Service Specialist
Utilities Division

DATE: November 6, 2001

RE: Red Rock Water CoOp Docket No. WS- 04052A-01-0794

The attached information forwarded from the Corporations Division regarding Red Rock Water Co.'s should be placed in Docket No. WS-04052A-01-0794.

Arizona Corporation Commission
DOCKETED

NOV 06 2001

DOCKETED BY *CEP*

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER



ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
EXECUTIVE SECRETARY

JOANNE C. MACDONNELL
DIRECTOR, CORPORATIONS DIVISION

November 2, 2001

Deborah A. Dobson
375 Mockingbird Lane
Sedona AZ 86336

Subject: Red Rock Water CoOp

Dear Ms. Dobson:

This letter will acknowledge receipt of your narrative of a complaint against Red Rock Water CoOp. The information was submitted on the Complaint Form for the Corporations Division.

By copy of this letter, I am forwarding the file to Bob Kennedy in the Utilities Division for assignment to the appropriate person.

Very truly yours,

A handwritten signature in cursive script that reads "Joanne C. MacDonnell".

Joanne C. MacDonnell
Director
Corporations Division

cc w/enclosures: Bob Kennedy - Utilities Division

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER



ARIZONA CORPORATION COMMISSION

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DIRECTOR, CORPORATIONS DIVISION

PLEASE NOTE:

The Corporation Commission was created by Article XV of the Arizona Constitution as a repository for corporation and limited liability company (LLC) filings with regulatory authority limited only to those corporations or LLCs that are either public service (as defined by the Arizona Constitution), or subject to securities regulation. The Commission's constitutional role with these entities other than previously specified is limited to examination for sufficiency, and filing of documents as required by law. In this ministerial capacity, the Commission may be limited in what actions it takes, if any. The Commission may, at its discretion, forward the complaint to another agency, such as the Banking or Revenue Departments or appropriate law enforcement agencies, if applicable.

COMPLAINT FORM

Please type or print in black ink.

Your Name: Deborah A. Dobson

Address: 375 Mockingbird Lane Sedona, AZ 86336

Telephone: 928/282-9473

Complaint Against:

Corporation Name: Red Rock Water Coop

Address: 70 Mockingbird Spur Sedona, AZ 86336

Principal Officers: (If known)

Jay E. Elmer (Name) Director (President?) (Title)

Cheryl Elmer (Jay's wife) (Name) Director (Title)

Kay Holland (Jay's sister) (Name) Director (Title)

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ARIZONA CORP COMMISSION
CORPORATIONS DIVISION

Explain in detail the entire circumstances pertaining to your complaint. Include all important

information; such as dates, addresses and names. Attached an additional sheet if necessary and copies of all supporting evidence.

I have included a synopsis of the events leading up to the present situation. My main objections are:

- no documentation was given to the shareholders as to what the \$300 assessment fee was for. In the letter we received on or about Sept. 1 of this year (copy enclosed) it mentions having a reserve + being able to replace old parts, but there is nothing specific, like cost of certain parts + labor charges.
- the Board of the Coop did not call a meeting to discuss the idea of incorporating. Nor did they tell us how much it cost, but from what I understand, the expense was over \$1000. This means that the shareholders money was spent without their direct approval.
- I have gone through all the specified instructions to receive a response to my questions, but have been denied a response of any kind from both the Coop's attorney, Steve Owens + from Jay Elmer, Pres. of the Coop.

I we, the undersigned, hereby certify that everything contained in the foregoing complaint is true and correct to the best of my/our knowledge and belief. (Please submit copies of all relevant documents; keep all original documents.)

Deborah A. Dobson
Name - Please Print

Deborah A. Dobson 10/31/01
(Signature of Complainant) (Date)

Name - Please Print

(Signature of Complainant) (Date)

Name - Please Print

(Signature of Complainant) (Date)

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ARIZONA CORP COMMISSION
CORPORATIONS DIVISION

Continuation:

- How is it that other smaller local neighborhood wells seem to function without rate increases?
- If the amount of money (over \$1000) which was reportedly spent to incorporate the CoOp left the CoOp with little to no reserve, why was this decision made?
- Why should CoOp "shareholders" run the risk of incurring a legal expense to have their questions answered?
- Is our water being tested on a regular basis? A simple test costs less than \$15.00 and can be sent up to Flagstaff for analysis.

Please feel free to contact me if you have any questions.

Sincerely,

Deborah A. Dobson

Chronology Of Events – Red Rock Water CoOp: Summer, 1998 to present

Summer, 1998: an informal meeting was held at my house of 3 other neighbors on the CoOp well and myself. We decided to contact the AZ Corp. Commission because of questions we had concerning the CoOp. I was put in touch with Janie Woller from the Utilities Division.

Late August/early Sept., 1998: two meetings were held of the CoOp. Attendees included the majority of CoOp users, Janie Woller from the ACC, a representative from ADEQ (at that time, there were more than 15 homes being served by the CoOp), the Board of the CoOp (Jay Elmer and his wife and Jay's sister, Kay Holland and her husband, Steve) and their attorney, Steve Owens.

[Please Note: The CoOp should have been regulated by ADEQ as it served over 15 homes for some years.]

Fall, 1998: the ACC offered the CoOp the choice of either filing for adjudication or of coming under the regulation of the ACC.

Winter 1998/ 1999: two new wells were drilled bringing the number of CoOp users below the requisite # for ADEQ regulation.

** At this point, I assumed that the ACC was handling the situation with the CoOp and did not contact Janie Woller any more. **

Summer, 2001: many problems with the CoOp well – there were mornings when I got up at 5:45 AM and there was no water.

late August/early Sept., 2001: letter was sent out by the Board of the CoOp indicating that the members were being charged a \$300 assessment fee and that the water rate might be increased by 67% past the base rate of \$15.00 for the first 1000 gallons. This letter did not include any explanation of what the assessment fee was covering. (A copy of this letter is included.) *Letter #1*
This letter also instructed the CoOp members to contact the Board's attorney, Steve Owens if they had any questions. However, it also said that we might incur legal fees if we did so.

Early Sept., 2001: I called Janie Woller at the ACC and she told me that they had not followed up on the CoOp. She notified the ACC Utility Division's Legal Dept. and re-opened the case. I also called several local water companies and learned that of the seven I contacted, only two would be charging more than the CoOp if the proposed rate increases went through. I put these figures into a chart and handed it out to several neighbors.

It was around this time that one of the neighbors told me that Kay Holland said that the CoOp had spent about \$1200 (over \$1000) in legal fees to incorporate the CoOp. There was no vote taken for this and I began to wonder whether the money was spent just before the well broke down, perhaps leaving very little in the "kitty" for necessary repairs.

I also contacted two other neighbors who are on other local community wells and learned that they have fewer users and pay flat rates – one is \$30/month and the other \$20/month with unlimited water usage.

9/4/01: The CoOp members were sent a package from the Board which included a copy of the new articles of incorporation, and two petitions to sign. One petition was against adjudication; *the other was in favor of incorporation. The instructions said to sign both petitions and return which meant that most people did not end up with a copy of the articles of incorporation, a 13 page document.

10/1/01: I sent a letter to Attorney Steve Owens, outlining my concerns.

* I believe the \$ for incorporation had already been spent!

10/3/01: Letter sent from the CoOp Board to all members stating that all but one of the members has signed and returned the petitions (me) and that a complaint had been made to the ACC which will cost the CoOp more in attorney's fees.

10/4/01: At this point, I decided that I would send out letters to the other CoOp members explaining my concerns and the reasons I did not sign the petitions.

10/4/01: Received a letter from Attorney Owens which stated that he had forwarded my letter on to Jay Elmer (President of the CoOp Board) and that I could speak to him directly about it. *Letter #2*

10/5/01: Sent a letter to Jay, using the P.O. Box listed in the petition asking that he respond to my concerns in writing.

10/9/01: The letter I sent to Jay was returned to me, marked as "undeliverable".

10/10/01: I dropped the letter off at Jay's place of business as ~~I did not know where to send~~

Also during this week, I called Attorney Owens and was told that I would be receiving a letter. I assumed it would be from him but as it turned out, it was the letter from the CoOp Board which I have included here. *Letter #3*

Thus, I have been denied an answer to my questions both from Mr. Owens and from Jay Elmer.

10/23/01: Sent a second letter out to the other CoOp members asking that they meet at my house on Tues., Nov. 6th at 7 PM to discuss our options.

[Letter #1]

RED ROCK WATER
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

DEBORAH DOBSON
375 MOCKINGBIRD LANE
SEDONA, AZ. 86336

TO ALL SHAREHOLDERS;

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

THIS PROBLEM NEEDS TO BE ADDRESSED IMEDIATELY, 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 IMEDIATELY, BUT TO HELP OFFSET, ADDITIONAL COST ANTISEPATED 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

RED ROCK
WS-04052A-01-0794

M. DOBSON

COULD EASILY BE SPENDING \$ 10,000 - \$ 15,000 DOLLARS. THIS ACESMENT 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 ODER 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

SHAREHOLDERS

1. STEVE HOLLAND
2. MICHAEL KEMPE
3. CHUCK COULTER
4. CINDY CULLEN
5. PENNY COULTER
6. JAY ELMER
7. FRANK DAVIS
8. DEBORAH DOBSON
9. TIM WRIGHT
10. JIM HERBERT
11. DALLAS WEAVER
12. JIM MINER

* We could ask questions, but risked incurring a legal fee in doing so!

[Letter #2]

THE LAW OFFICE OF STEVEN R. OWENS P.C.

Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (928) 284-0899
Mobile Telephone (928) 853-0653
Telecopier (928) 284-9885
E-mail owens@sedona.net

October 15, 2001

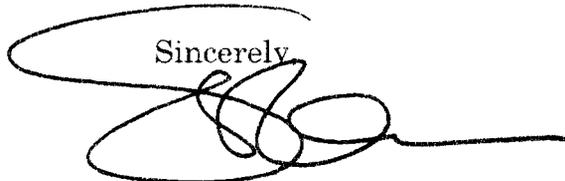
Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336

Re: Red Rock Water CoOperative Inc.

Dear Ms Dobson,

I have forwarded your October 4, 2001, letter to Jay Elmer, President of the CoOperative, for response. You may speak with him directly with your concerns.

Sincerely,



Steven R. Owens

SRO:mja

OCT. 17, 2001

RED ROCK WATER
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

TO ALL SHAREHOLDERS,

THIS LETTER IS IN RESPONSE, TO ONE OF OUR SHAREHOLDERS, IN REFFERENCE TO ASSESSMENTS AND RATE INCREASES. IN AN EARLIER LETTER FROM THE WATER CO-OP THE STATEMENT WAS MADE.

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

* THE QUESTION WAS ALSO RAISED ABOUT THE \$ 300.00 ASSESSMENT, AND ALSO THAT THESE MONEYS WERE BEING PAID TO THE ELMER'S. IT NEEDS TO BE MADE VERY CLEAR AT THIS TIME THAT NO MONEYS ARE BEING PAID TO THE ELMER'S, ALL MONEY IS BEING PAID TO RED ROCK WATER CO-OP, WHICH IS EACH AND EVERYONE OF US. THIS ASSESSMENT WAS MADE UNDER THE PROVISIONS OF OUR ORIGINAL BY-LAWS. PLEASE REFER TO ACTIVITY REPORTS AN PAYMENTS AND DISBERMENTS OF THE RED ROCK WATER FUNDS.

IF ANY OF YOU DO NOT HAVE ANY OF THESE REPORTS , AT THE MEETING THEY WILL BE AVAILABLE FOR EVERYONE. AT THIS TIME OUR CO-OP IS IN THE RED. STEVE AND I ARE NO LONGER GOING TO BE PUTTING FORTH OUR TIME AND MATERIAL AT OUR EXPENSE, TO KEEP THE SYSTEM RUNNING, AND WE SHOULDN'T BE EXPECTED TO. WE HAVE BOTH TAKEN ONLY OF A FRACTION OF WHAT IS OWED TO US BY THE WATER COMPANY, FOR MAINTANCE AND UNKEEP, AND SOMETIMES TAKE NOTHING, THIS IS NOT WAHAT WAS AGREED TO IN EARLIER AGREEMENTS BY CO-OP MEMBERS, BUT NOT HAVING THE FUNDS , IT IS NECESSARY TO PAY OTHER BILLS FIRST. NOR CAN WE EXPEXT TO ASK OTHER TRADE PEOPLE TO WORK ON THE SYSTEM ~~WHEN THERE ARE NOT ENOUGH FUNDS, FOR THEM TO BE PAID. THIS MATTER IS FOR ALL SHAREHOLDERS TO SHARE EQUALLY, WHICH WE ARE ONE OF THE SAME, AS ALL OF YOU~~ THEREFORE IF THERE IS A SYSTEM FAILURE AND NO MONEY TO PAY FOR THE SERVICES NEEDED, THE SYSTEM WILL REMAIN DOWN UNTIL FUNDS NEEDED CAN BE RAISED.

*matter is for...
one of the same*

failure

I WOULD LIKE TO THINK THAT OUR PROBLEMS, WITH THE STATE CORPORATION CAN STILL BE FINALIZED THIS MONTH, SO THAT WE CAN ALL SET DOWN AND MAKE NECESSARY DICISIONS, FOR MAINTAINING OUR WATER SYSTEM.

THW STATEMENT WAS ALSO MADE THAT, CO-OP MEMBERS WERE INVITED TO CONTACT ATTORNEY STEVE OWENS, THIS IS ABSOLUTLY CORRECT, THE PARAGRAPH IS MARKED IN THE ATTACHED LETTER THAT WAS SENT TO EVERYONE PREVIOUSLY. PLEASE NOTE THAT THE INDEIVIDUALS CREATING

* Please note: At no time did I ever say or infer this.

CHARGES FOR THEIR PERSONEL QUESTIONS WILL BE CHARGED FOR THEM. I WOULD HOPE THAT EVERYONE WOULD BE PATIENT, AND WAIT FOR A ONE TIME MEETING AFTER APPROVEL OF OUR PAPERS, BY THE ARIZONA STATE CORPORATION COMMISSION.

IN CLOSING WE WOULD LIKE TO MAKE SEVERAL FINAL REMARKS, FIRST THERE WAS NO DATE AS TO WHEN THE ASSESSMENT WOULD BE DO, THIS CAN ALSO BE DISCUSSED AT THE MEETING, FOR ALL SHAREHOLDERS PLEASE BE REMINDED THAT AT THIS TIME THERE ARE NOT ENOUGH FUNDS FOR REPAIRS.

IN REFERRECE AS TO THE AUTHENTICITY OF HER SIGNATURE, ON THE PAPERS FOR THE INCORPORATION, SHE SIGNED THESE PAPERS PRIOR TO HER DEATH, AND WAS ONE OF THE FORST ONES TO SIGN. PERSONALLY, THIS IS LEAST OF OUR CONCERNS AT THIS TIME, AND FEEL THAT THIS SHOULD NOT EVEN BE BROUGHT UP, I FEEL AT THIS TIME WE NEED TO HAVE RESPECT FOR OTHER PEOPLE, AND THEIR FEELING.

I JAY HAVE ALSO RECEIVED CORESPONDENCE AT MY PLACE OF BUSINESS, THIS IS NOT NECESSARY, AND I WILL NOT RESPOND TO WATER COMPANY BUSINESS FROM MY PLUMBING BUSINESS. I HAVE RECEIVED , I HAVE RECEIVED VERY LITTLE COMPENSATION FOR MY TIME AND MATERIAL FOR THE LAST 25 YEARS IN MAINTAINING THIS WATER SYSTEM, AND WILL NOT INVOLVE MY BUSINESS , AND ANYMORE OF MY PERSONEL TIME TO THIS MATTER. STEVE AND I SOMETIMES WORK 24 HOURS A DAY WHEN THE SYSTEM IS DOWN TRYING TO KEEP EVERYONE, WITH WATER FOR AS LITTLE TIME AS POSSIBLE, WITH NO THANK YOUS, HARDLY ANY, OR NO COMPENSION AT ALL AND COMPLAINTS. THIS IS ALL UNNECESSARY, FOR WE ARE OUT OF WATER AT THE SAME TIME YOU ARE. WE THINK WE DO PRETTY GOOD FOR THE MATERIALS WE HAVE TO WORK WITH. IF WE WERE A BIG COMPANY, AND HAD LOTS OF MONEY TO HAVE EVERY PART WE NEED ON STANDBY THEN IT WOULD BE DIFFERENT, BUT WE ARE NOT. WE ARE 12 FAMILYS SUPPOSIBLIY WORKING TOGETHER TO HAVE A WATER SYSTEM.

FUTHER CORESPONDENCE FOR RED ROCK WATER WILL BE ADDRESSED TO
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

WATER CO-OP BUSINESS

THANK YOU
BOARD OF RED ROCK WATER CO-OP

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