

**ORIGINAL**  
Betty Camargo



0000090472

**From:** Jimmy Stoner [jimmys@cableone.net]  
**Sent:** Tuesday, November 18, 2008 9:07 AM  
**To:** Mayes-WebEmail; Mundell-Web; Hatch-WebEmail; Pierce-Web; Gleason-WebEmail  
**Cc:** Jerome Reid; 'Chris Stoner'; jimmys@cableone.net  
**Subject:** Re: ICR Water Users Association - W-02824A-07-0388

Arizona Corporation Commission  
**DOCKETED**

NOV 19 2008

Chairman Gleason and Commissioners Hatch-Miller, Mayes, Mundell, and Pierce:

DOCKETED BY 

In checking the e-docket we find the following letter has not been posted.  
We have experienced some recent cases where outgoing e-mail from our ISP has not been delivered.

I am resending this letter, at Mr. Reid's request, in case it was not received at the Commission.

Thank you,  
Jimmy and Chris Stoner

RECEIVED  
2008 NOV 18 A 10:14  
AZCC COMMISSION  
DOCKET CONTROL

----- Original Message -----

**Subject:** ICR Water Users Association - W-02824A-07-0388

**Date:** Mon, 10 Nov 2008 10:28:26 -0700

**From:** Jerome Reid <wmunny@cableone.net>

**To:** mayes-web@azcc.gov, mundell-web@azcc.gov, hatch-web@azcc.gov, pierce-web@azcc.gov, gleason-web@azcc.gov

**CC:** 'Jimmy Stoner' <jimmys@cableone.net>, 'Chris Stoner' <ccstoner@cableone.net>

Chairman Gleason and Commissioners Hatch-Miller, Mayes, Mundell, and Pierce:

The purpose of this "letter" is to impress upon the Commission and Staff the frustration of many of the ICR Water Users Association's (Company) owners. We are frustrated at the inordinate length of time this case is taking, due primarily to the continuing effort by the Board, their counsel, and Harvard Investments to circumvent Decision 64360. We are also frustrated and distressed at the Company's Board of Directors' (Board) expenditure of substantial and excessive funds for legal and accounting fees in this matter that make the Company insolvent. Finally, we are especially frustrated at the prospect that the Board will not be held accountable for their mismanagement of the Company's business affairs before and during this rate case. It appears from the process to date in this rate case that the individual Board members will not provide testimony or be called upon to respond to questions by any of the Parties, including the Intervener, Dayne Taylor. What follows is a description of some specific instances of Board (member) conduct that demand attention in the interest of equity and good business practices.

In the interest of providing informed input to the Commission and Staff in this rate case, several of the Company's owners submitted to the Board an information request pursuant to Arizona Revised Statute 10-1602 requesting certain records the Board is required to keep (ARS 10-1601) and make available upon request to any owner ("any shareholder") meeting minimal requirements. Our request met with avoidance and refusal to cooperate. However, after submitting a demand letter for the documents requested, including an indication of our willingness to seek relief through the courts, the Board reluctantly produced a single document ("member list") that did not comply with the

statutory requirements. The only document produced in response to the owners' information request was a "member list" that failed to include the class of ownership (residential or commercial, an attribute routinely maintained in the Customer Billing Records) and the number of votes associated with each account. This is information the owners have sought in connection with Board elections, because there is reason to believe that all "commercial" accounts are voted by Harvard Investments, notwithstanding that the definition of owner is couched in terms of "resident". The current arrangement permits Harvard Investments to vote all accounts associated with two guard sheds, the golf cart maintenance shed, accounts associated with water meters for irrigating landscape, etc.

The Board is also required to "keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation" pursuant to ARS 10-601.A. It has become apparent from exchanges during Board meetings between the volunteer who records and transcribes the Board meetings and the current President, Hugh Pryor, that the transcripts of the Board meetings are routinely being edited by Mr. Pryor (and possibly other Board members) to remove anything that reflects poorly on the Board (e.g., discussion of the fact that the Board authorized payment of \$15,000 to secure a line of credit in the amount of \$50,000). This conduct is in violation of the statutory requirements for keeping minutes. Several owners have requested copies of Board meeting minutes to document something that was said in the meeting only to discover that the Board's version of the minutes have been edited to remove the information sought. We are now forced to separately record the meetings to accurately preserve the details of each meeting.

An egregious example of this Board's misconduct relates to the signing of the Water Service Agreement (WSA) by Hugh Pryor and the transfer of \$60,000 from the Company to the Board's counsel, Snell & Wilmer. According to comments by the Company's Secretary/Treasurer, William Meyer, at the October Board meeting, he was not informed at all of the signing nor of the payments apparently authorized by Mr. Pryor and made by Robert Busch, Company Business Manager. This handling of the WSA, i.e., being signed by Mr. Pryor alone and apparently without a collective decision of the Board, is inconsistent with the Company's established business practice of the Board approving contracts before they are signed by an authorized member of the Board (e.g., contracts with the Company's bookkeepers, MDI, contract with the Company's Business Manager, Robert Busch (an employee of MDI), contracts with the system operator, A Quality Water, etc.).

The Company Bylaws clearly put responsibility for all Company monies in the hands of the Secretary/Treasurer, but he was not informed until after the fact of both the signing of the WSA and the payment of amounts to Snell & Wilmer. To compound the problem, this payment of \$60,000 to Snell & Wilmer authorized by Mr. Pryor and carried out by Robert Busch, violated the position previously adopted by the Board of paying Snell & Wilmer \$5000 per month. When questioned by Mr. Meyer about this inconsistency at the October Board meeting, Mr. Pryor simply dismissed the question and said something to the effect that "we abandoned that position". However, he failed to identify the meeting or reference the minutes of a meeting that documents the change of Board policy with respect to payments to Snell & Wilmer.

Because the owners are being frustrated at every turn by the Board in their efforts

to obtain information about the Company and the conduct of the Board, we believe the members of the Board should be required to testify at the hearing scheduled to begin December 1. We believe they should be required to account for their conduct in this rate case, e.g., why they refused to meet with the Intervener Mr. Taylor to develop a solution to the Decision 64360 compliance issues. In addition, many of the owners would like to hear the members of the Board describe exactly how they are meeting their fiduciary responsibility to represent the interests of all the residents of the Company's service area. Finally, we believe this case and this Board present an excellent opportunity for the Commission to demonstrate that its responsibility to monitor the integrity of Arizona businesses and organizations is not an empty claim. If not to regulate and sanction where appropriate, why then monitor the integrity of Arizona businesses and organizations?

Respectfully submitted,

Jerome Reid  
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Prescott, AZ 86305

Jimmy & Chris Stoner  
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Prescott, AZ 86305