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**BILL STEPHENS, P.C.**  
4647 North 32nd Street  
Suite 285  
Phoenix, Arizona 85018-3345  
Telephone: 602-381-8300  
Facsimile: 602-381-8348  
By: Bill Stephens (S.B.N. 002096)  
Attorney for Applicant

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2009 NOV 23 P 3:50

AZ CORP COMMISSION  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

IN THE MATTER OF THE APPLICATION  
OF CUP OF GOLD WATER COMPANY, INC.  
FOR APPROVAL OF AN ADJUDICATION AS  
NOT A PUBLIC SERVICE CORPORATION.

DOCKET NO. W-20637A-08-0560

**NOTICE OF FILING SUPPLEMENT  
TO APPLICATION**

Cup of Gold Water Company, Inc. ("Company") hereby files a  
supplement to its application, consisting of the documents attached  
hereto, all as requested by the Commission.

RESPECTFULLY SUBMITTED this 23<sup>rd</sup> day of November, 2009.

BILL STEPHENS, P.C.

Arizona Corporation Commission

**DOCKETED**

**NOV 23 2009**

DOCKETED BY

By   
Bill Stephens  
4647 N. 32<sup>nd</sup> Street  
Suite 285  
Phoenix, Arizona 85018-3345  
Attorney for Applicant

1 ORIGINAL and thirteen (13) copies  
2 of the foregoing filed this 23<sup>rd</sup>  
day of November, 2009:

3 Docket Control  
4 Arizona Corporation Commission  
1200 West Washington Street  
5 Phoenix, Arizona 85008

6 COPIES of the foregoing hand-  
7 delivered this 23<sup>rd</sup> day of  
November, 2009, to

8 Ayesha Vohra, Staff Attorney  
Legal Division  
9 Arizona Corporation Commission  
1200 W. Washington Street  
10 Phoenix, Arizona 85007

11 Kiana Sears  
Utilities Division  
12 Arizona Corporation Commission  
13 1200 W. Washington Street  
Phoenix, Arizona 85007

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15 By Stephanie Wolf

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# CUP OF GOLD WATER COMPANY

Cup of Gold Water Company  
PO Box 679  
Sedona, AZ 86339

March 5, 2009

RE: Cup of Gold Water Company Annual Meeting

The Cup of Gold Water Company Annual Meeting took place February 26<sup>th</sup> at the home of Claudine & Ron Mohney. In attendance were owners of 13 lots and we had voting proxies from 3 lot owners.

**Treasurer's Report:** The report was read by the treasurer, Claudine Mohney. There was a net loss of \$4943.92 from operations in 2008. The checking account balance of \$19,824.05 reflected the collection of \$34,000 in assessments, which were characterized as contributions to capital. Two assessments remain unpaid. One individual is in financial difficulty and has arranged to make payments at a later date. The other lot owner refuses to pay. That lot will be liened.

**Operations Report:** Ron Mohney gave the report on behalf of George Simmons, Co-Pres. Operations, who was absent and is selling his house. A recent solicitation for a volunteer to replace him resulted in no response. Ron summarized the capital improvements that were performed over the year. Details were included in two mailings in 2008. The COG Water Company is now taking responsibility for the individual lot meters and will be replacing them gradually. Any leaks on the lot owners' side of the meter are the responsibility of the lot owner. The Water Company should not be called unless a leak is observed to the infrastructure from the lot meter back to the pump.

**Compliance issues** were addressed by Co Pres. Business & Finance, Ron Mohney. We started 2008 pursuing a conversion of the COGWC to a Domestic Water Improvement District. A snag in the process led to a consultation with a water attorney. He suggested that we instead petition the AZ Corporation Commission for relief based on the fact that we are a self contained, self sufficient private company that exclusively serves the COG subdivision as opposed to a public utility. The Board passed a new bylaw in 2008 to certify this. After attending a meeting in Phoenix on February 27<sup>th</sup>, our attorney indicates that it looks favorable for us to be classified as a private water company. We need to supply additional information and they expect to render a decision without Ron having to go to a formal hearing.

**New Business:** Ron stated that the COGWC is in an unsustainable situation because it is losing money every year and now we have no one to manage field operations. He suggested two solutions:

BOARD OF DIRECTORS

President: Ron Mohney | Vice President: Diane Briney

Treasurer: Claudine Mohney | Secretary: Ida-Meri de Blanc | BoD Member at Large: Naomi

① Page 18 Line 23 Page 12, Line 20 Page 29, Line 16

Initial discussion of the adjudication in front of the membership.  
There was no expressed objection to this approach. R6m

Ronald Mohney  
1/10

**New rate structure** – a tiered structure will be discussed by the Board. The concept is to increase the unit cost of water above not yet determined levels of usage. This will raise additional revenue, qualify as a water conservation plan as required by the AZ Dept of Water Resources, and continue to build our capital fund with the intent of minimizing future assessments. The few users who consume less than the current base amount of water may have lower bills. Ron explained how our sparse population, small size, rocky soil and hilly topography all contribute to high operating costs. He did a survey and found that our rates are far below similar water companies. Further, there has not been a COGWC rate increase in many years. The new structure may be implemented as early as 2<sup>nd</sup> quarter.

**Professional operations management company** – Ron has done some initial research and will be selecting a candidate for consideration by the Board. This past week, Ron met with a candidate management company. Their professionalism and level of service seem to be in order. We'll be reviewing the costs and contract terms and should come to a satisfactory resolution of our operations needs in the very near future.

**Election of the Board:** Five names were on the ballot and unanimously confirmed.

**COG Water Company Board**

President: Ron Mohney  
Vice-President: Diane Briney  
Treasurer: Claudine Mohney  
Secretary: Ida-Meri de Blanc  
Board Member at Large: Naomi Ray

If you need to contact the board, please use the following methods.

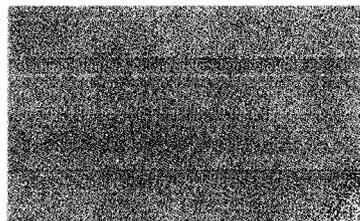
Ron Mohney: [mohneyr@houstonia.com](mailto:mohneyr@houstonia.com) 282-9146 or 300-3342  
Claudine Mohney: [cmohney@houstonia.com](mailto:cmohney@houstonia.com) 282-9146  
Ida-Meri de Blanc: [imdb@sktblank.net](mailto:imdb@sktblank.net) 634-0932

Sincerely,  
Ron Mohney  
President

*Ron Mohney*  
2/10

# petition for AZ Corp Comm

From: **Ron Mohnney** (mohneyr@hotmail.com)  
Sent: Mon 11/16/09 7:11 AM  
To: cgmohney@hotmail.com



Edward E. Hanley III

Realtor®

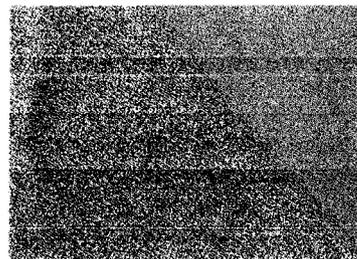
Office: 928-340-5001

Home: 928-204-2516

Cell: 928-300-7000

Fax: 928-282-3716

email: [eeh3@sedona.net](mailto:eeh3@sedona.net)



Website: [www.edwardehanley.com](http://www.edwardehanley.com)

All is well in Sedona, Arizona USA...one of the nicest places on earth to live.

**This is a petition for the Cup of Gold Water Company to be allowed to operate under our own policies rather than those of the Arizona Corporate Commission. I am strongly in favor of this move. We are pushing it for the same thing for Cross Creek Ranch Water Company also. The AZ Corp Comm folks in Phoenix have no idea what is really going on here in the rural outback. And it will save the water company a lot of money and trouble in the long run.**

**Please sign and MAIL it to: Ron Mohnney, 200 East Wing Dr., Sedona, AZ 86336. He's the president, and has to have the 'original' signatures, so a fax or email won't do it.**

Thanks.

**Ed Hanley**

① Page 18 Line 23 Page 29 Line 16  
My wife and I had recently moved to the subdivision. Since I was not well-known I asked a former officer of the water company to write a copy letter in support of the adjudication. He was well-known and very well-respected in the neighborhood. RBm

*Ronald Mohnney*  
3/10

## ARTICLE XII

### Limit on Membership

#### Amendment effective 10/14/09:

The Cup of Gold Water Company shall not increase its membership either through subdivision of the existing 39 lots or expansion of the service area or change in the requirement that each lot has one and only one vote of Company membership representation. The Covenants, Conditions and Restrictions of the Cup of Gold subdivision shall comply with this bylaw.

Each August, or as otherwise required by the Arizona Corporation Commission, a Cup of Gold Water Company Officer shall file notice of compliance of the above via the Commission's Docket Control.

In the event this Article is violated, the Company shall file an application for a Certificate of Convenience and Necessity within 30 days.

② Page 20 Line 19  
Page 21 Line 9

This new bylaw covers the directives of the AZCC. Note that the COG water company has no authority to change the COG CC&R's. It is not clear to me why the CC&R's have relevance in this matter, because the COG water company is governed solely by its Articles of Incorporation, Bylaws and Policies. The CC&R's already prohibit subdivision of lots. Otherwise the CC&R's do not have jurisdiction over the COG water company matters. Rbm

Ronald D. Wolney  
4/10

~~COG Board Meeting~~.08.09.13: 3:10 PM— Held at the home of Ron & Claudine Mohney.

In attendance: Diane Briney, Ida de Blanc, Peter de Blanc (guest), Claudine Mohney, Ron Mohney, George Simmons

Items discussed:

Treasurer's report submitted by Claudine Mohney

- The checking account balance is \$25,814.06

Legal update provided by Ron Mohney

- Bill Stephens is the attorney handling the adjudication process
- ~~By a show of hands, Ron Mohney was unanimously approved by the Board to represent the COG water company interest with the AZCC.~~
- A motion was passed to amend the by-laws in accordance with Stephens' recommendation to establish the private nature of the water company; Peter will OCR the bylaws PDF doc so that we can maintain an electronic copy; Ida will look into the issue of our corporate seal, which is required by bylaw – we may have to develop it as it appears to never have been completed
- Ron has collected sufficient petition signatures
- Claudine has created a cross reference of parcels to lot numbers and names
- Once the matter with the AZCC is resolved, if in our favor we will reconvene and decide on action against delinquent accts and pursuing the DWID; if we fail we will have some tough choices

Operations report by George Simmons – a great deal of work has been done, including

- A new meter installed on the well and on each trunk line
- The generator is repaired and available for backup; needs to be manually started
- Getting estimates for automatic switching
- Installed two new booster pumps
- Reworked the trunk lines near the tank and capped off an unused line
- Cleaned the pump house – it still needs to be rat proofed
- We had an outage recently when the filters clogged prematurely and the main storage tank drained. The red light failed to warn of this. Juan, one of George's workers, intervened and fixed the problem. Otherwise we would have lost the new booster pumps. George is looking into a new filtering system, fixing the red light, and a pressurized automated pump shutoff. We will not spend the money on these until we consider the cost/benefit.

The delinquent accts were reviewed. We made an action plan for each of the four non payers of the recent assessment. In the case of DeSalvo, the board reversed an earlier

(3)

Pg 12 Line 20

Board authorization of President Ron Mohney to represent the water company in the adjudication process. Rbm

Ronald Mohney  
5/10

decision and decided to work with him (through George) to offset a part of the amount due with a contribution to the road repairs he made. All users are current on usage fees, including Kristin Monday.

It was suggested that a survey and walk through to determine the location and condition of all meters will take place. George will contact Randy to do this. We intend to replace all old meters or any that have no lockout capability.

We determined to hire someone to do routine maintenance and pay approximately \$50.00 monthly.

We will in the future discuss the accrual of the unused portion of the base water amount.

The meeting completed at 4:44 PM  
Ida-Meri de Blanc, Secretary

*Ronald J. Moloney*  
6/10

## ARTICLE II

### MEMBERS

Section 1. QUALIFICATIONS. The Members of the corporation shall be all of the Lot Owners. There shall be one membership for each Lot. If there is more than one person who has an ownership interest in a Lot, the membership in the corporation attributed to such Lot shall be deemed to be owned by such persons in the same proportion to their ownership or interest in the Lot. If a person owns more than one Lot, such person shall have a membership for each Lot owned. Each Lot Owner shall automatically become a Member of the corporation upon becoming a Lot Owner and shall remain a Member until such time as his, her or its ownership in the Lot ceases.

Section 2. ANNUAL MEETINGS. The annual meetings of the members for the election of directors and other business shall be held during the month of February on such day and such place in or near Sedona, Arizona, as shall be designated by the Board of Directors. If the election of directors shall not be held on the day designated by the Board of Directors for any annual meeting of the members, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon as conveniently may be held, provided that such meeting shall likewise be held in or near Sedona, Arizona.

Section 3. SPECIAL MEETINGS. Special meetings of the members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of members ~~comprising of not less than twenty five percent (25%) of all members~~. The written request shall state the purpose(s) of the meeting. The time and place in or near Sedona of any special meeting shall be fixed by the President, Board of Directors, or the members, as the case may be, who call or request the meeting.

If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, or the Secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the members entitled to vote, in accordance with the provisions of Sections 4 and 5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than ten (10) nor more than thirty (30) days after the receipt of the request. If the notice is not given within ten (10) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 3 shall be construed as limiting, fixing or affecting the time when a meeting of members called by action of the Board of Directors may be held.

Section 4. NOTICE OF MEMBERS MEETINGS. All notices of meetings of members shall be sent or otherwise given in accordance with Section 5 of this Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting, and (i) in the case of

4  
See  
Following  
Page

Ronald D. Mohney  
7/10

a special meeting, the general nature of the business to be transacted, or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the members. The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, are intended to be presented for election.

If action is proposed to be taken at any meeting for approval of (i) an amendment of the articles of incorporation, (ii) a reorganization of the corporation, (iii) a voluntary dissolution of the corporation, or (iv) a sale, lease or exchange of all of its property and assets, the notice shall also state the general nature of that proposal.

**Section 5. MANNER OF GIVING NOTICE.** Notice of any meeting of members shall be given either personally or by first class mail or telegraphic or other written communication, charges prepaid, addressed to the member at the address of that member appearing on the books of the corporation or given by the member to the corporation for the purpose of notice, Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

A statement of the mailing or other means of giving any notice of any members meeting shall be executed by the Secretary, Assistant Secretary, or any other person giving notice, and shall be filed and maintained in the minute book of the corporation.

Each Lot Owner shall be responsible for informing the Secretary of the corporation with his, her, their or its then current address, which address shall be used for all notices required hereunder, Additionally, upon the sale or other transfer of a Lot, the Board of Directors shall have no responsibility to determine the name and/or address of the new Lot Owner. In the event of any sale or other transfer, it shall be the responsibility of the Lot Owner to inform the new Lot Owner of the membership in the corporation arising from the ownership of the Lot, and for such Lot Owner to notify the Secretary of the corporation with the new address to which notices shall be sent. Notices shall be sent to only one address notwithstanding that more than one person or persons have an interest in a Lot. All members shall hold the board of directors harmless and free from liability of any action or failure of notice due to its lack of knowledge of the then existing person or persons who are Lot Owners.

**Section 6. QUORUM.** The members in person or by proxy, present at a meeting of the members, **provided such members constitute at least twenty percent (20%) of the members entitled to vote**, shall constitute a quorum for the transaction of business with regard to all matters to be voted upon by the members.

(4)

Page 29 Line 4

The judge expressed reservation about our use of petition. It would be very difficult to convene a meeting of more than half of the lot owners (members) because there are many absentee landowners and some of those who live in the subdivision are not inclined to attend meetings. That is why a quorum is defined as 20%. As president I felt I could get better participation by petition than by vote at a meeting.

RBur

Ronald L. Mohney  
8/10

## ARTICLE II

### MEMBERS

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Substantiation of multiple signatures on the petition.  
One member owned 3 lots and therefore voted 3 times.  
In some cases lots were owned jointly, so two signatures  
were required for one vote. RBW

Ronald J. Molney  
9/10

however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy.

Section 12. MEMBER ACTION BY WRITTEN CONSENT WITHOUT A MEETING. Any action which may be taken at any annual or special meeting of members, except as may be inconsistent with the Revised Statutes of Arizona, including without limiting matters relating to the sale, lease or exchange of all the corporation's assets or property, may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by Lot Owners who are members of not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all members entitled to vote on that action were present and voted. Any member giving a written consent, or the members' proxy holders, may revoke the consent by a writing received by the Secretary of the corporation before written consents of the number of members required to authorize the proposed action have been filed with the Secretary. If the consents of all members entitled to vote have been solicited in writing, and if the unanimous written consent of all such members shall have been received, the Secretary shall give prompt notice of the corporate action approved by the members without a meeting. This notice shall be given in the manner specified in Section 5 of this Article II.

### ARTICLE III DIRECTORS

Section 1. POWERS. Subject to the provisions of the Revised Statutes of Arizona and any limitations in the articles of incorporation and these By-laws relating to action required to be approved by the members, the business and affairs of the corporation in the operation, maintenance and development of a water system for the water delivery to the Lot Owners shall be managed and ~~all corporate powers shall be exercised by or under the direction of the Board of Directors.~~ The Board of Directors shall be empowered to do all things, or to delegate such power and authority to such other persons as it deems appropriate, that may be necessary or advisable in the operation of the water system, including without limitation the establishment of operating systems, reporting systems, compliance measures for purposes of Federal or State regulatory agencies, management policies, financing measures, maintenance procedures, acquisition programs, renovating or upgrading of system and equipment, rate fixing, service fees, availability fees, availability fee, special and annual assessments, policies relating to meter disconnection, delinquent accounts, past due notices, length of time for payment before a meter is disconnected, and type of notices sent to delinquent owners, procedures for water line extensions, purchase of materials and equipment, purchase of insurance for assets, and the like. In addition to the foregoing, the Board of Directors shall be empowered to manage and operate all of the assets of the corporation, including without limiting, the real estate owned by the corporation.

Section 2. NUMBER AND QUALIFICATION OF DIRECTORS. The authorized number of directors shall not be less than three (3) directors and not more than nine (9) directors until changed by amendment to this By-Law consistent with the Articles of Incorporation. The Board of Directors shall be empowered to determine the number of directors serving from time to time in accordance with the provisions of this Section 2.

Section 3. ELECTION AND TERM OF OFFICE OF DIRECTORS. Directors shall be elected at each annual meeting of the members to hold office until the next annual meeting. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Unlimited powers of the Board of Directors. <sup>5</sup> R6m

Ronald D. [Signature]  
10/10