

ORIGINAL



0000125252

1 Steve Wene, No. 019630  
2 MOYES SELLERS LTD.  
3 1850 N. Central Ave., Ste. 1100  
4 Phoenix, Arizona 85004  
5 (602) 604-2141  
6 [swene@lawms.com](mailto:swene@lawms.com)  
7 Attorneys for Cerbat Water Company, Inc.

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2011 MAY 13 P 3: 03

AZ CORP COMMISSION  
DOCKET CONTROL

8  
9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

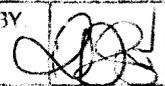
10 **COMMISSIONERS**

11 GARY PIERCE, CHAIRMAN  
12 PAUL NEWMAN  
13 SANDRA D. KENNEDY  
14 BOB STUMP  
15 BRENDA BURNS

Arizona Corporation Commission

**DOCKETED**

MAY 13 2011

DOCKETED BY 

16 **IN THE MATTER OF THE  
17 APPLICATION OF CERBAT WATER  
18 COMPANY FOR A RATE INCREASE.**

DOCKET NO. W-02391A-10-0218

**COMPANY'S ADDITIONAL  
COMMENTS AND EXHIBITS**

19 The Cerbat Water Company ("Company") hereby files additional comments and  
20 exhibits to the Staff Report in this matter.

21 The Company incorporated its comments filed on February 22, 2011. Since then,  
22 Staff filed an order to show cause and sought to appoint an interim manager. During  
23 those proceedings, the Company filed a response to Staff and Rick Neal offered  
24 testimony to the Arizona Corporation Commission. See Docket No. W-02391A-11-0166  
25 ("OSC Docket"). By this reference, the response pleading set forth in Attachment A and  
26 Rick Neal's testimony at the hearing in those proceedings are incorporated herein.  
27  
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1 In the OSC Docket, the Commission discussed resolving issues raised by the  
2 Company and Staff in this proceeding. Consistent with the Commission's position, the  
3 Company overseen the transfer of real and personal property from the Claude K. Neal  
4 Family Trust to the Company. See Attachment B. Due to time constraints, the Trust and  
5 Company agreed that the Trust would transfer the entire parcel to the Company with the  
6 understanding that once the Company has sited an additional well and made  
7 infrastructure improvements on the parcel, the unused remainder of the parcel will be  
8 transferred from the Company back to the Trust. In other words, the Company will retain  
9 the land where the Company's plant is located and the unused land will be given back to  
10 the Trust.  
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14 To address the Company's emergency financial situation, the Commission  
15 requested that the Company submit outstanding expense invoices to be considered as  
16 justification for an emergency surcharge being set so the Company can pay these bills.  
17 The requested documentation is set forth in Attachment C. Invoices and supporting  
18 documentation from UNS Electric, Inc., Martens Heavy Equipment Repair, LLC, Gilbert  
19 Pump & Equipment Co., Empire Pump Corporation, and Henderson Electric Motors,  
20 Inc., amounting to approximately \$122,000.00 are being included for consideration. The  
21 Company is requesting a surcharge of a minimum of no less than \$10.00 per customer on  
22 an emergency basis to provide revenue to pay these expenses. The Company believes  
23 that setting the surcharge at a higher amount would place the Company in a position to  
24 pay these invoices at a faster rate, and is willing to work with Commission Staff to set the  
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1 surcharge rate at a reasonable amount with reasonable conditions on both a temporary  
2 and permanent basis.

3  
4 RESPECTFULLY SUBMITTED this 13<sup>th</sup> day of May, 2011.

5  
6 **MOYES SELLERS LTD.**

7   
8 Steve Wene  
9 Attorneys for Cerbat Water Company, Inc.

10 Original and 13 copies filed  
11 this 13<sup>th</sup> day of May, 2011 with:

12 Docket Control  
13 Arizona Corporation Commission  
14 1200 West Washington  
15 Phoenix, Arizona 85007

16 Copy of the foregoing mailed  
17 This 22<sup>nd</sup> day of February, 2011 to:

18 Kimberly A. Ruht, Legal Division  
19 Arizona Corporation Commission  
20 1200 West Washington  
21 Phoenix, Arizona 85007

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# **ATTACHMENT A**

OPEN MEETING AGENCY ITEM

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2011 APR 27 A 9:11

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

1 Steve Wene, No. 019630  
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6 swene@lawms.com  
7 Attorneys for Cerbat Water Company, Inc.

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

10 GARY PIERCE, CHAIRMAN  
11 PAUL NEWMAN  
12 SANDRA D. KENNEDY  
13 BOB STUMP  
14 BRENDA BURNS

Arizona Corporation Commission

DOCKETED

APR 27 2011

DOCKETED BY



15 **IN THE MATTER OF STAFF'S**  
16 **REQUEST FOR THE COMMISSION**  
17 **ISSUANCE OF AN ORDER TO SHOW**  
18 **CAUSE FOR THE FAILURE OF**  
19 **CERBAT WATER COMPANY TO**  
20 **COMPLY WITH COMMISSION**  
21 **RULES AND REGULATIONS.**

DOCKET NO. W-02391A-11-0166

**RESPONSE TO STAFF'S PETITION**  
**FOR ORDER TO SHOW CAUSE AND**  
**MOTION FOR PRELIMINARY**  
**RELIEF**

22 The Cerbat Water Company ("Cerbat") hereby responds to the Arizona  
23 Corporation Commission ("Commission") Utilities Division Staff's ("Staff") Petition for  
24 Order to Show Cause and Motion for Preliminary Relief. Cerbat asserts that neither the  
25 facts nor the law justifies the appointment of an interim manager in this case. For the  
26 reasons explained below, the Commission should deny Staff's petition and motion and  
27 should not appoint and interim manager.  
28

1 **Preliminary Statement**

2 Before discussing the factual and legal disputes presented in this case, Cerbat  
3 wants to explain how it plans to address the financial shortfalls. Since October 26, 2009,  
4 Cerbat has incurred \$85,126.62 in repair costs to the one water production well. When  
5 the well failed, Cerbat replaced the failed diesel engine with an electric motor. Since  
6 then, Cerbat has struggled to pay the vendors who repaired the well and Unisource, which  
7 is the local electric power provider. Cerbat owes Unisource approximately \$12,000 in  
8 deposits and service fees.  
9

10 Cerbat wants to pay these debts, but the company's current revenues are not  
11 sufficient to pay these debts and meet payroll expenses and other operating expenses.  
12

13 For example, the table below identifies the income and expenses paid by Cerbat in the  
14 first two months of 2011:  
15

	January	February
<b>Income</b>	\$6,090.91	\$5,776.91
<b>Expenses Paid</b>		
Electric	\$3,312.50	\$4,320.43
Payroll to Trust	\$2,000.00	\$1,400.00
Phone	\$315.00	\$0.00
Water Testing	\$0.00	\$390.00
Transportation	\$500.00	\$0.00
Expenses Subtotal	<u>\$6,127.50</u>	<u>\$6,110.00</u>
<b>Monthly Balance</b>	<u>-\$36.59</u>	<u>-\$333.09</u>

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25 See Attachments 1 and 2. As this table illustrates, Cerbat is spending money prudently,  
26 but its revenues are insufficient to pay its operating costs and its debt stemming from the  
27  
28

1 well repairs and improvements. To resolve this issue, Cerbat is proposing the following  
2 payment plan:

- 3 1. Seek from the Commission an immediate surcharge of \$10.00 per customer to  
4 pay the vendors;
- 5 2. Pay \$1,800 to Trust payroll (approximately \$6.79 per connection);
- 6 3. Pay no more than \$1,000 for other expenses (chemicals, gas, phone, minor  
7 repairs, professional services); and
- 8 4. Pay Unisource the remainder for current service, past service, and deposits.  
9

10 If the company did not need the entire \$1,000 for other expenses, it would use the saved  
11 funds to apply to the electric bill. The Company would agree to document these  
12 payments with Staff. Similarly, if there is an unexpected expense that would alter this  
13 plan, the Company would inform Staff prior to taking any action. Consistent with this  
14 plan, the Company would agree to accept the well site and the water production fixtures  
15 associated with the well.  
16

#### 17 **Material Facts at Issue**

18 The issue here is that the Company's revenue is not sufficient to pay the bills. For  
19 this reason, Cerbat filed for emergency relief with the Commission approximately 1 ½  
20 years ago (November 9, 2009). Staff opposed the emergency relief request and instructed  
21 the Company to file a permanent rate case.  
22

23 Accordingly, the Company filed the permanent rate case on June 1, 2010. In the  
24 permanent rate case, the Company requested that the rates be set so that the vendors can  
25 be paid. Meanwhile, in its report Staff adjusts the operating expenses to exclude the  
26  
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1 vendor payments as well as purchased water expense, among other expenses. Under  
2 Staff's proposal, the average customer bill will increase \$.48 per month, which is a 1.9%  
3 increase. In other words, Staff's position is that the Company's rate increase should  
4 amount to about \$125 per month.  
5

6           Meanwhile, over the past year, the Company has maintained that it is willing to  
7 accept the well from the Trust provided the debts transfer as well and there is sufficient  
8 revenue for the Company to pay the vendors. Alternatively, the Company has proposed  
9 that the Trust could sell the well to the Company for fair market value provided Staff  
10 would support that approach. Throughout this period, while Staff demands that the well  
11 be transferred to the Company, it has remained tellingly silent as to how it would treat the  
12 well value and debt once the proposed transfer occurred. If Staff now supports either of  
13 these approaches, the Company will stand by its position (assuming that this is not simply  
14 a change in position to make it easier to appoint an interim manager).  
15  
16  
17

18           In its motion, Staff also makes several factual allegations that need to be  
19 addressed. First, Staff alleges that Rick Neal said that the Company management might  
20 "walk away" from the Company. Rick Neal will testify to the contrary. Second, Staff  
21 argues that the City of Kingman may not be willing to work with Cerbat as a secondary  
22 source of water without a hefty deposit because of slow payment the last time Cerbat  
23 purchased water from Kingman. However, Cerbat's understanding is that Kingman  
24 requires a substantial deposit from any similarly situated party. Moreover, Cerbat admits  
25 that it was slow to pay Kingman in the past, primarily because the rates charged by  
26  
27  
28

1 Kingman are high.<sup>1</sup> For this reason, when there is an outage at Cerbat, the Company  
2 chooses to haul water from the Truxton Valley Water Company wells.  
3

4 Finally, the arguments regarding the Water Supply Agreement and Management  
5 Agreement are misplaced. Staff continues to ignore the provisions in the Management  
6 Agreement stating Cerbat is responsible for “all costs, expenses and capital  
7 improvements ... including ... (E) Replacement of and repairs to the water system ... (F)  
8 All plant additions and improvements....” *See id.* at p. 4, ¶ 4. Even though Cerbat is  
9 responsible for the costs to repair the well and the Company should be allowed to recover  
10 these costs in rates, this issue should be moot if Staff continues to maintain its position  
11 that the debt can transfer with the well.  
12  
13

#### 14 **Legal Issues**

15 The Commission does not have the authority to assume managerial control of the  
16 Company and remove the owner from managing his own company over the owner’s  
17 objection. *See* Ariz. Const. Art. 15, § 3; Williams v. Pipe Trades Industry Program of  
18 Ariz., 100 Ariz. 14, 409 P.2d 720 (1966). The Commission does not have the power to  
19 control the management of the Company without the Company’s permission to do so.  
20  
21 *See* Phelps Dodge Corp. v. Ariz. Electric Power Coop., 207 Ariz. 95, 101, 83 P.3d 573,  
22 579 (App. 2004).  
23  
24

25 If the Commission does take control of the Company from the owners, such action  
26 will constitute a taking. *See* Ariz. Const. Art. 2, § 17. Under constitutional provision that  
27

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28 <sup>1</sup> *See* Staff Report, Docket No. W-02391A-09-0516, p. 3 (“Company purchased approximately 1,000,000 gallons ...  
for a total of \$3,026.61”). Cerbat’s present commodity rate is \$1.65 per 1,000 gallons up to 5,000 gallons.

1 “no private property shall be taken or damaged” without just compensation, a state is  
2 liable for injuries to personal property as well as real property. State v. Leeson, 84 Ariz.  
3 44, 323 P.2d 692 (Ariz.1958). If the Commission takes control of the Company, the  
4 biggest issue may become how much money will the Arizona taxpayers have to pay the  
5 Trust for the Company. While the Company does not want to take such action, it is a  
6 plausible outcome. Similarly, the Commission cannot order the Company to give up its  
7 constitutional rights to protect its property against an interim manager, who will certainly  
8 be held responsible for any and all of his or her actions.  
9

10  
11 Finally, the Arizona Constitution is clear – “no person shall be deprived of life,  
12 liberty, or property without due process of law.” A.R.S. Const. Art. 2 § 4. Cerbat is  
13 entitled to due process. A party is entitled to an opportunity to be heard at a meaningful  
14 time and in a meaningful manner. Comeau v. Arizona State Bd. of Dental Examiners, 196  
15 Ariz. 102, 993 P.2d 1066 (App. Div.1 1999). Here, the Company has not had adequate  
16 time to conduct discovery and prepare its defense. Therefore, the Company moves the  
17 Commission to initiate proceedings regarding this matter in front of an administrative law  
18 judge so the Company can have a full evidentiary hearing. Otherwise, the Company’s  
19 substantive and procedural due process rights will be violated. *See* Ariz. Const. Art. 2, §  
20 4.  
21  
22  
23  
24

25 RESPECTFULLY SUBMITTED this 27<sup>th</sup> day of April, 2011.

26 MOYES SELLERS LTD.

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Steve Wene

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Original and 13 copies filed  
this 27<sup>th</sup> day of April, 2011 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Copy of the foregoing mailed electronically  
this 27<sup>th</sup> day of April, 2011 to:

Kim Ruht  
KRuht@azcc.gov

Donnelly Herbert

# **ATTACHMENT 1**

**CERBAT WATER COMPANY**  
**Cash Disbursements Journal**  
**For the Period From Jan 1, 2011 to Jan 31, 2011**

Filter Criteria includes: Report order is by Date. Report is printed in Detail Format.

Date	Check #	Account ID	Line Description	Debit Amount	Credit Amount
1/18/11	2619	231	Invoice: 030110	442.95	
		231	Invoice: 040110	1,557.05	
		131	CLAUDE K NEAL FAMILY TRUST		2,000.00
1/26/11	12611	675	Misc Expenses	315.00	
		131	SPRINT		315.00
1/28/11	2626	615	Purchased Power	807.30	
		131	UNISOURCE ELECTRIC		807.30
1/28/11	2627	615	Purchased Power	2,505.20	
		131	UNISOURCE ELECTRIC		2,505.20
1/31/11	2625	650	Transportation	500.00	
		131	Expenses REBEL OIL		500.00
	<b>Total</b>			<b>6,127.50</b>	<b>6,127.50</b>

**CERBAT WATER COMPANY**  
**Cash Receipts Journal**  
**For the Period From Jan 1, 2011 to Jan 31, 2011**

Filter Criteria includes: Report order is by Check Date. Report is printed in Detail Format.

Date	Account ID	Transaction Ref	Line Description	Debit Amnt	Credit Amnt
1/3/11	143 131.5	10311	Invoice: 013111 CERBAT WATER CUSTOMERS	67.37	67.37
1/4/11	143 131.5	10411	Invoice: 013111 CERBAT WATER CUSTOMERS	78.50	78.50
1/5/11	143 131	010511	Invoice: 1112 CERBAT WATER CUSTOMERS	35.15	35.15
1/5/11	143 131.5	10511	Invoice: 013111 CERBAT WATER CUSTOMERS	31.16	31.16
1/6/11	143 131	010611	Invoice: 1112 CERBAT WATER CUSTOMERS	687.55	687.55
1/7/11	143 131	010711	Invoice: 1112 CERBAT WATER CUSTOMERS	370.39	370.39
1/7/11	143 131.5	10711	Invoice: 013111 CERBAT WATER CUSTOMERS	42.53	42.53
1/10/11	143 131	011011	Invoice: 1112 CERBAT WATER CUSTOMERS	954.20	954.20
1/11/11	143 143 131	011111	Invoice: 1112 Invoice: 1111 CERBAT WATER CUSTOMERS	1,304.45	1,098.26 206.19
1/12/11	143 131	011211	Invoice: 1111 CERBAT WATER CUSTOMERS	353.91	353.91
1/12/11	143 131.5	11211	Invoice: 013111 CERBAT WATER CUSTOMERS	10.52	10.52
1/13/11	143 131	011311	Invoice: 1111 CERBAT WATER CUSTOMERS	205.53	205.53
1/14/11	143 131	011411	Invoice: 1111 CERBAT WATER CUSTOMERS	222.13	222.13
1/14/11	143 131.5	11411	Invoice: 013111 CERBAT WATER CUSTOMERS	38.61	38.61
1/17/11	143 131	011711	Invoice: 1111 CERBAT WATER CUSTOMERS	92.86	92.86
1/18/11	143 131	011811	Invoice: 1111 CERBAT WATER CUSTOMERS	243.67	243.67
1/18/11	143 131.5	11811	Invoice: 013111 CERBAT WATER CUSTOMERS	40.00	40.00
1/19/11	143 131	011911	Invoice: 1111 CERBAT WATER CUSTOMERS	393.87	393.87
1/20/11	143 131	012011	Invoice: 1111 CERBAT WATER CUSTOMERS	103.51	103.51
1/20/11	143 131.5	12011	Invoice: 013111 CERBAT WATER CUSTOMERS	132.52	132.52
1/21/11	143 131	012111	Invoice: 1111 CERBAT WATER CUSTOMERS	46.61	46.61

**CERBAT WATER COMPANY**  
**Cash Receipts Journal**  
**For the Period From Jan 1, 2011 to Jan 31, 2011**

Filter Criteria includes: Report order is by Check Date. Report is printed in Detail Format.

<u>Date</u>	<u>Account ID</u>	<u>Transaction Ref</u>	<u>Line Description</u>	<u>Debit Amnt</u>	<u>Credit Amnt</u>
1/21/11	143 131.5	12111	Invoice: 013111 CERBAT WATER CUSTOMERS	13.17	13.17
1/24/11	143 131	012411	Invoice: 1111 CERBAT WATER CUSTOMERS	49.50	49.50
1/25/11	143 131	012511	Invoice: 1111 CERBAT WATER CUSTOMERS	41.12	41.12
1/26/11	143 131	12611	Invoice: 1111 CERBAT WATER CUSTOMERS	25.95	25.95
1/26/11	143 131.5	12611	Invoice: 013111 CERBAT WATER CUSTOMERS	93.53	93.53
1/27/11	143 131	012711	Invoice: 1111 CERBAT WATER CUSTOMERS	197.22	197.22
1/28/11	143 131	012811	Invoice: 1111 CERBAT WATER CUSTOMERS	95.79	95.79
1/31/11	143 131	013111	Invoice: 1111 CERBAT WATER CUSTOMERS	119.59	119.59
				<u>6,090.91</u>	<u>6,090.91</u>

# **ATTACHMENT 2**

**CERBAT WATER COMPANY**  
**Cash Disbursements Journal**  
**For the Period From Feb 1, 2011 to Feb 28, 2011**

Filter Criteria includes: Report order is by Date. Report is printed in Detail Format.

<u>Date</u>	<u>Check #</u>	<u>Account ID</u>	<u>Line Description</u>	<u>Debit Amount</u>	<u>Credit Amount</u>
2/1/11	11	231 131	Invoice: 1231 MOHAVE ENVIRONMENTAL	390.00	390.00
2/2/11	2628	630 131	Contractual Services - Billing CLAUDE K NEAL FAMILY TRUST	1,400.00	1,400.00
2/7/11	2630	615 131	Purchased Power UNISOURCE ELECTRIC	1,612.98	1,612.98
2/18/11	2942	615 131	Purchased Power UNISOURCE ELECTRIC	2,664.00	2,664.00
2/18/11	5610	615 131	Purchased Power UNISOURCE ELECTRIC	43.45	43.45
	<b>Total</b>			<u>6,110.43</u>	<u>6,110.43</u>

**CERBAT WATER COMPANY**  
**Cash Receipts Journal**  
**For the Period From Feb 1, 2011 to Feb 28, 2011**

Filter Criteria includes: Report order is by Check Date. Report is printed in Detail Format.

Date	Account ID	Transaction Ref	Line Description	Debit Amnt	Credit Amnt
2/1/11	143 131	020111	Invoice: 1111 CERBAT WATER CUSTOMERS	959.25	959.25
2/1/11	143 131.5	20111	Invoice: 013111 CERBAT WATER CUSTOMERS	43.90	43.90
2/2/11	143 131	20211	Invoice: 1111 CERBAT WATER CUSTOMERS	380.87	380.87
2/2/11	143 131.5	20211	Invoice: 013111 CERBAT WATER CUSTOMERS	33.17	33.17
2/3/11	143 131	20311	Invoice: 1111 CERBAT WATER CUSTOMERS	621.88	621.88
2/4/11	143 131	20411	Invoice: 1111 CERBAT WATER CUSTOMERS	431.53	431.53
2/7/11	143 131	020711	Invoice: 1111 CERBAT WATER CUSTOMERS	566.96	566.96
2/8/11	143 131	20811	Invoice: 1111 CERBAT WATER CUSTOMERS	249.31	249.31
2/9/11	143 131	020911	Invoice: 1111 CERBAT WATER CUSTOMERS	357.83	357.83
2/10/11	143 131	21011	Invoice: 1111 CERBAT WATER CUSTOMERS	25.00	25.00
2/10/11	143 131.5	21011	Invoice: 013111 CERBAT WATER CUSTOMERS	31.22	31.22
2/11/11	143 131	21111	Invoice: 1111 CERBAT WATER CUSTOMERS	329.80	329.80
2/11/11	143 131.5	21111	Invoice: 013111 CERBAT WATER CUSTOMERS	7.00	7.00
2/14/11	143 143 131	21411	Invoice: 1111 Invoice: 013111 CERBAT WATER CUSTOMERS	460.67	217.53 243.14
2/14/11	143 131.5	21411	Invoice: 013111 CERBAT WATER CUSTOMERS	30.32	30.32
2/15/11	143 131	21511	Invoice: 013111 CERBAT WATER CUSTOMERS	137.62	137.62
2/15/11	143 131.5	21511	Invoice: 013111 CERBAT WATER CUSTOMERS	63.27	63.27
2/16/11	143 131	21611	Invoice: 013111 CERBAT WATER CUSTOMERS	255.55	255.55
2/16/11	143 131.5	21611	Invoice: 013111 CERBAT WATER CUSTOMERS	78.50	78.50
2/17/11	143 131	21711	Invoice: 013111 CERBAT WATER CUSTOMERS	43.21	43.21
2/21/11	143 131	22111	Invoice: 013111 CERBAT WATER CUSTOMERS	72.85	72.85

**CERBAT WATER COMPANY**  
**Cash Receipts Journal**  
**For the Period From Feb 1, 2011 to Feb 28, 2011**

Filter Criteria includes: Report order is by Check Date. Report is printed in Detail Format.

Date	Account ID	Transaction Ref	Line Description	Debit Amnt	Credit Amnt
2/21/11	143 131.5	22111	Invoice: 013111 CERBAT WATER CUSTOMERS	51.31	51.31
2/22/11	143 131	22211	Invoice: 013111 CERBAT WATER CUSTOMERS	127.23	127.23
2/22/11	143 131.5	22211	Invoice: 013111 CERBAT WATER CUSTOMERS	27.86	27.86
2/23/11	143 131	22311	Invoice: 013111 CERBAT WATER CUSTOMERS	134.39	134.39
2/24/11	143 131	22411	Invoice: 013111 CERBAT WATER CUSTOMERS	100.00	100.00
2/25/11	143 131	22511	Invoice: 013111 CERBAT WATER CUSTOMERS	134.54	134.54
2/28/11	143 131	22811	Invoice: 013111 CERBAT WATER CUSTOMERS	21.87	21.87
				<u>5,776.91</u>	<u>5,776.91</u>

# **ATTACHMENT B**



**BILL OF SALE**

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, Claude K. Neal Family Trust, dated August 15, 1972, as amended hereby sells to Cerbat Water Company, Inc., an Arizona corporation, all of seller's interests that certain well bearing Arizona Department of Water Resources Registration No. 55-624996.

DATED this 12 day of May, 2011.

**SELLER:**

Claude K. Neal Family Trust, dated August 15, 1972

By: B Marc Neal  
B. Marc Neal

**Accepted by:**

Cerbat Water Company

By: B Marc Neal  
B. Marc Neal

# **ATTACHMENT C**

**ROSHKA DEWULF & PATTEN**

ROSHKA DEWULF & PATTEN, PLC  
ATTORNEYS AT LAW  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET  
SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

May 4, 2011

Via E-Mail and U. S. Mail

Mr. Steven L. Wene  
Moyes Sellers Ltd.  
1850 North Central Avenue, #1100  
Phoenix, Arizona 85004

Dear Steve:

As requested, below is a summary of what Cerbat Water and the Neal Family Trust owes UNS Electric, including past due charges, late fees and necessary deposits.

Account No. [REDACTED] (Neal Family Trust)

Total deposit required \$8,722.00  
Deposit paid \$0.00

Usage:	\$ 6,316.91
Deposit Installments (billed):	\$ 2,906.00
Late Fees:	\$ 276.54
<b>Amount Due:</b>	<b>\$ 9,499.45</b>

Account No. [REDACTED] (Cerbat Water)

Total Deposit required \$2,500.00  
Deposit paid \$416.00 to date

Usage:	\$ 2,027.18
Deposit Installments (billed):	\$ 416.00
Late Fee:	\$ 34.21
Return item fee:	\$ 18.95
<b>Amount Due</b>	<b>\$ 2,496.34</b>

We also have attached the most recent invoices for each entity. As Jason Gellman noted in last week's call, we trust that the surcharge proposed by Cerbat Water will provide for timely payment of these amounts.

ROSHKA DEWULF & PATTEN

Mr. Steve Wene  
May 4, 2011  
Page 2

Please let me know if you have any questions.

Sincerely,



Michael W. Patten

MWP:mi  
Attachments



**Delinquent Account**

Account: **[REDACTED]**  
 Bill Date: 4-12-2011  
 Customer Name: NEAL FAMILY TRUST  
 Service Address: 3090 E CALLE BLANCA, WELL  
 KINGMAN AZ 86409

Previous Balance	Payments/Credits	Charges/Debits	Current Balance
6,221.81	0.00	3,277.64	9,499.45

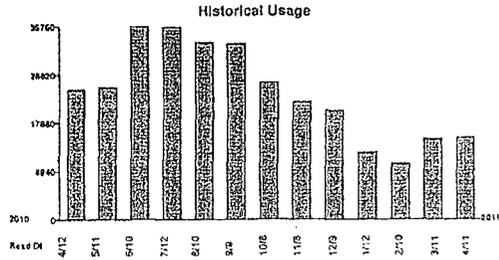
Delinquent Amount	DUE DATE	AMOUNT DUE
\$6,221.81	4-25-2011	\$9,499.45

Your account is delinquent in the amount of \$6,221.81 which is due immediately.

**IRS - Interruptible Power Service (Service No: 0192741259)**

Electric Charges for Period 03-12 - 04-11

<b>DELIVERY SERVICES</b>	
Customer Charge	16.00
Billing Demand Charge per kW 105 @\$3.91	410.55
Delivery Charge kWh 15,120 @\$0.016443	248.62
<b>POWER SUPPLY CHARGES</b>	
Base Power Supply Charge 15,120 @\$0.053227	804.79
PPFAC - kWh 15,120 @ \$0.000768	11.61
<b>GREEN ENERGY CHARGES</b>	
Renewable Energy Standard Tariff	125.72
DSM Surcharge - kWh 15,120 @ \$0.000995	15.04
<b>TAXES AND ASSESSMENTS</b>	
State Sales Tax	107.96
County Sales Tax	4.09
ACC Assessment	3.66
Total Electric Service Charges	1,748.04
Late Payment Fee (including taxes)	76.60
<b>Total Charges</b>	<b>1,824.64</b>



Meter	Unit of Measure	Next Read Date	Current Read Date	Prior Read Date	Days	Current Reading	- Prior Reading	= Reading Difference	x Multiplier	= Usage or Demand
TR9-10794	KWH	5-10	4-11	3-11	31	4412	4223	189	80	15120
TR9-10794	KW	5-10	4-11	3-11	31	1.317			80	105.360

**Deposit (Service No: 0192741421)**

Deposit Installment Amount \$1453.00

Para asistencia en Español, el número de teléfono se encuentra al reverso de esta pagina.

Please Return this portion with your payment to ensure proper credit to your account.

Please make payable to UNS Electric, Inc.  
 Write your ELECTRIC account number on front of check or money order.

UNS Electric, Inc.  
 P.O. Box 80079  
 Prescott AZ 86304-8079

**Delinquent Account**

Account	DUE DATE	AMOUNT DUE	Contribution*	Amount Paid
[REDACTED]	04-25-2011	\$9,499.45		

#BWNMMYZ  
  
 B MARC NEAL  
 7313 E CONCHO DR, STE B  
 KINGMAN AZ 86401

\*Warm Spirit Contribution  
 (Add one-time amount to share with a less fortunate neighbor. Visit [uesaz.com](http://uesaz.com) to have a monthly pledge automatically added to your bill.)

UNS Electric, Inc.  
 P.O. BOX 80079  
 PRESCOTT AZ 86304-8079

5/13/11

Mertens Heavy Equipment Repair, LLC  
4385 Baker Drive  
Kingman, AZ 86409  
928-757-2966 Fax 928-757-5423

4/29/2011

# Statement of Account

This statement reflects account activity between the dates 4/1/2011 and 4/29/2011.

Page 1

NEAL FAMILY TRUST  
7313 E. CONCHO DR #B  
KINGMAN, AZ 86401-

This is a current statement of your account. The total amount due is \$15,561.48.

## Payments

R.O. #	Date	Description	Purchase Order #	Check #	Payment
Total Payments :					

## Open Charges

R.O. #	Date	Description	Purchase Order #	Charge
			Charges open before 4/1/2011	\$15,344.44
	4/29/2011	FINANCE CHARGE		\$217.04
Total Open Charges :				\$15,561.48

 PAST DUE

You have charges over 60 days past due. Please contact us immediately.

Current	30-60 Days	60-90 Days	Over 90 Days
\$434.08	\$0.00	\$217.04	\$14,910.36

# STATEMENT

PAGE: 1

RETURN THIS PORTION WITH PAYMENT  
GILBERT PUMP & EQUIPMENT CO.



**PUMP & EQUIPMENT CO.**  
1475 EAST ELWOOD STREET  
P.O. BOX 20216  
PHOENIX, AZ 85038-0216  
(602) 278-5599

CLAUDE K. NEAL FAMILY TRUST  
7313 E CONCHO DR  
SUITE B  
ATTN MARC NEAL  
Kingman, AZ 86401

STATEMENT DATE	10/15/2010
ACCOUNT NO.	CLA200

STATEMENT DATE	10/15/2010
ACCOUNT NO.	CLA200

AMOUNT ENCLOSED \$ \_\_\_\_\_

CONTACT:

CHECK ITEMS BEING PAID

DATE	REFERENCE	CHARGE	CREDIT	BALANCE	REFERENCE	BALANCE
6/30/2009	0084053-IN	13,532.84			0084053-IN	
8/18/2009			500.00			
8/24/2009			1,000.00			
1/7/2010			5,000.00			
3/9/2010			2,500.00			
7/15/2010			178.88			
8/9/2010			1,751.55	2,602.41		2,602.41
12/14/2009	0084789-IN	47,542.63			0084789-IN	
12/23/2009			2,000.00	45,542.63		45,542.63
8/31/2010	AUG0005-FC	722.18		722.18	AUG0005-FC	722.18
9/30/2010	SEP0006-FC	733.01		733.01	SEP0006-FC	733.01
				49,600.23		

PLEASE PAY **49,600.23** TOTAL

YOUR ACCOUNT WITH US IS SERIOUSLY PAST DUE.  
REMIT TODAY SO THAT WE MAY CONTINUE TO SERVE YOU.

# STATEMENT

PAGE: 1

RETURN THIS PORTION WITH PAYMENT  
GILBERT PUMP & EQUIPMENT CO.



**PUMP & EQUIPMENT CO.**  
1475 EAST ELWOOD STREET  
P.O. BOX 20216  
PHOENIX, AZ 85036-0216  
(602) 278-5599

CLAUDE K. NEAL FAMILY TRUST  
7313 E CONCHO DR  
SUITE B  
ATTN MARC NEAL  
Kingman, AZ 86401

STATEMENT DATE:	5/3/2011
ACCOUNT No.:	CLA201

STATEMENT DATE:	5/3/2011
ACCOUNT No.:	CLA201

AMOUNT  
DUE 5/3/11

G.P.E. TRUST  
5/3/2011

CONTACT:

DATE	REFERENCE	CHARGE	CREDIT	BALANCE	REFERENCE	BALANCE
3/22/2011	85770DM-DM	17,706.36		17,706.36	85770DM-DM	17,706.36
3/31/2011	MAR0003-FC	177.06		177.06	MAR0003-FC	177.06
4/30/2011	APR0003-FC	178.83		178.83	APR0003-FC	178.83
				18,062.25		18,062.25

PLEASE PAY

JUST AN OVER-SIGHT? WE WOULD APPRECIATE BRINGING  
YOUR ACCOUNT CURRENT. THANKS FOR YOUR BUSINESS

5/13/11

# Empire Pump Corporation, dba Duncan Pump

1820 S. 19th Avenue ♦ Phoenix, AZ 85009 ♦ (602) 254-6154 ♦ FAX (602) 254-2261  
AZ ROC #'s 216197, 216198 NV ROC # 0069972

## INVOICE

Job #: 16950

### Client Information

Date: December 21, 2010  
Name: Cerbat Water Co.  
Address: 7313 E. Concho Dr.  
Kingman, AZ 86401

Contact: Mike Neal  
Phone: 928-716-4788  
Contact: Marcus Neal  
Phone: 928-303-4213  
Email: ksar60@gmail.com

### Site Information

City: Kingman, AZ  
County: Mohave

## SERVICE

♦ Mob and demob to Kingman, AZ.....	\$	1,000.00
♦ Rig crew labor - 44.75 hours @ \$220.00 per hour.....	\$	9,845.00
♦ (1) M10LC-17: Oil lube; standard construction; rubber bowl bearings; 10 x 20 SU; full trim impellers.....	\$	9,116.00
♦ (1) Column 8" x .277" x 19'11" 3/4T W/C.....	\$	633.00
♦ Machine shop labor to assemble bowls and build motor bushing (6) hours @ \$75.00 per hour.....	\$	450.00
♦ Miscellaneous shop and field supplies.....	\$	200.00
♦ Shipping and handling.....	\$	331.19

<b>Sub-Total:</b>	\$	21,575.19
<b>Sales Tax @ 8.85%:</b>	\$	1,241.11
<b>Total:</b>	\$	22,816.30

Terms: Net 30 Days

*Thank you for your business.*

HENDERSON ELECTRIC MOTORS, INC  
 1414 ATHOL  
 HENDERSON, NV 89011

Phone: (702) 564-5575  
 Fax: (702) 564-8676

Sold To:  
 CASH CUSTOMER

Ship to:  
 CERBAT WATER  
 MIKE@ 928-757-2205

**Invoice**

Invoice Number:  
 91974

Invoice Date:  
 Jan 14, 2011

Page:  
 1

Customer PO	CHECK# 2617 & 2618	Terms	C.O.D.	Ship Date	1/14/11
ID	CASH CUSTOMER	Ship Method	Customer pickup	Due Date	1/14/11

Quantity	Description	Unit Price	Extension
	VASKAWA 350 HP, 1780 RPM, 5005TPH MODEL# 854-5005TPH SER# C071802901		
	DISASSEMBLE MOTOR, CLEAN AND INSPECT ALL PARTS AND FITS. NEED TO POWER WASH & OVER DRY STATOR DUE TO GREASE & DIRT BUILD UP. INSULATE WINDINGS, REPLACE BEARING		
1.00	WASH AND OVEN DRY STATOR WINDINGS	100.00	100.00
	ASSEMBLE MOTOR REPLACING DEFECTIVE PARTS AS NECESSARY, TEST AND PAINT.		
2.00	7326 THRUST BEARING, FLUSH GROUND.	1,515.00	3,030.00
1.00	6318 SHIELDED BALL BEARING	378.70	378.70
1.00	MISC. SHOP SUPPLIES	70.00	70.00
6.00	HYDRAULIC OIL ISO32 (PER GALLON)	24.25	145.50
14.00	LABOR TO REPAIR	74.99	1,049.86
	JOB# 15148		

We understand and agree that any credit granted shall be paid promptly and in accordance with terms and agreements, that the credit grantor may add one and one half percent (1 1/2%) per month to any balance owed, and in event of default to pay reasonable collection charges and/or attorney fees. The undersigned states that he/she is authorized to bind the principle to the terms hereof.

Subtotal 4,774.06  
 Sales Tax 301.66  
 TOTAL 5075.72

Received by \_\_\_\_\_ Date \_\_\_\_\_