

**FORMAL COMPLAINT TO THE  
PUBLIC SERVICE COMMISSION  
Heber M. Wells State Office Building  
160 East 300 South, Fourth Floor  
P.O. Box 45585  
Salt Lake City, Utah 84114**

**Names, Addresses, Phone Numbers**

Bryce and Lori Wisner  
12420 N. Edgewood Place, Deweyville, UT 84309  
(435) 713-4473 home

Buddy and Dorothy Hogan  
12495 N. Edgewood Place, Deweyville, UT 84309  
(435) 230-2116 cell.

Keith and Barbara Anderson  
3275 W. Cobblecrest Road, Deweyville, UT 84309  
(435) 257-0356 home

Frank and Traci Walker  
3205 W. Cobblecrest Road, Deweyville, UT 84309  
(435) 257-0424 home

Doug and Dianne Adams  
3226 W. Cobblecrest Road, Deweyville, UT 84309  
(435) 257-6562 home

**The Utility Being Complained Against**

Cedar Ridge Distribution Company  
David Z. Thompson, president  
12435 N. Hillcrest Drive, Deweyville, UT 84309  
(435) 257-7152 home/office

**What did the utility do which you (the Complainant) think is illegal, unjust, or improper? Include exact dates, times, locations and persons involved, as closely as you can. Why do you (the Complainant) think these activities are illegal, unjust or improper?**

On Monday, August 9, 2010 there was a Cedar Ridge water meeting at the Deweyville Town Hall at 6 pm. At this meeting David Z. Thompson, president of the Cedar Ridge Distribution Company, informed us that the well was sold to Tremonton City (see attached Memorandum of Understanding and Tremonton City Well Purchase Agreement). Tremonton City attended and gave a PowerPoint presentation titled "2008

Well Sighting Study” (attached). Those of us who are served by the Cedar Ridge Distribution Company had no idea that the well was sold until this meeting. The Memorandum of Understanding is dated December 31, 2009. The purchase agreement is dated March 5, 2010. The PowerPoint presentation by Tremonton City stated,

Buyer will continue to operate the well and provide the Cedar Ridge Water Company its allotment of water. In the event that the subject well loses sufficient water production to provide water for Tremonton City and the Cedar Ridge Water Company, *the parties hereby agree to form a joint venture, including joint financial obligations, to seek alternative sources of water production.*

**Was a commitment made on our behalf to Tremonton City without our consent when we are supposed to be member shareholders? What kind of voting rights do we actually have?** The Articles of Incorporation (attached) mention voting rights, but it appears that we really don't have any. We are aware that if the well becomes insufficient we would need to find another source of water, but in this case Tremonton City is now involved. **What if it is better for the Cedar Ridge Subdivision homeowners to find a source apart from Tremonton at that time? What does “joint financial venture” mean? What expenses would that involve? What time frames are involved?**

There were several times during the summer of 2009 that the homes being served were without water because of tests being run on the well by Tremonton City. Homeowners were not informed that the water was unavailable because of tests done in preparation for the sale of the well to Tremonton City. Homeowners were told, in one instance, that there was no water due to the well being cleaned, which it was--in conjunction with the tests Tremonton City was performing.

At the end of the water meeting on August 9, 2010, homeowners were given envelopes containing assessments. The people receiving water from the company were assessed \$970.00 due in six days or it would begin to accrue interest at the rate of 7% APR (see attached assessment letter). According to David Thompson, this assessment was to repay a loan that he gave the company to replace three or four pumps that had problems within a short period of time. It is worth noting that at least one pump broke right after the time Tremonton was running tests and the Cedar Ridge Distribution Company's pump was pulled out of the well in order for Tremonton to install their test pump. We were informed that wiring problems and a mouse problem had also occurred. **Where is the money that has been paid into the system up to this point? Why is there no money in the account to cover emergencies, maintenance, and repairs?** Those receiving water from the company pay \$45.00 per month and there are 31 locations being served. **Why did three or four pumps have to be replaced in a matter of months? Was the company's pump damaged when taken out to run tests for Tremonton City? Why are homeowners being assessed for capital expenses?**

Incidentally, a similar assessment occurred in 1986. The original well failed and a second one needed to be dug. There were 18 homeowners at the time who were each required to loan \$1250.00 to the Cedar Ridge Distribution Company. David Thompson

also loaned some money to the company and the company received a substantial loan from Jon Thompson (another board member). Both of the loans from David and Jon were paid back with interest. The homeowners were paid back with a smaller percentage of interest. Repayment of these loans came from monthly fees paid to the company by the homeowners.

Lori Wisner called and spoke with Shauna Springer at the Division of Public Utilities on Monday, August 30, 2010. Shauna informed her that the Cedar Ridge Distribution Company has never obtained a Certificate of Operation or Exemption. The company applied for a Certificate of Exemption and it was not granted. In 2003, the Public Service Commission of Utah issued the Cedar Ridge Distribution Company a Petition for an Order to Show Cause (attached). The company did not respond to multiple letters from the state asking to prove why the company should not be certificated as a public utility. The case was turned over to the Attorney General. From there it appears that the company agreed to fill out the paperwork, but the paperwork was never submitted and follow through on the case did not occur due to job changes in the state at the time. The charges issued by the Cedar Ridge Distribution Company to its customers are not currently approved or monitored by the state. David Thompson, president of the Cedar Ridge Distribution Company, has sole discretion of the charges the company makes. Homeowners do not receive bills of any kind. We pay \$45.00 per month with no bill and no receipt. Cancelled checks are the only proof we have that we have paid our bill.

There are several typos and mistakes in the Articles of Incorporation and Bylaws for the Cedar Ridge Distribution Company. The Articles and Bylaws are not being followed by the company. We question the legality of these two documents. Please note the following examples.

The company was incorporated in 1976 with David Z. Thompson, Jon Z. Thompson, and Henry Z. Thompson as its Board of Directors. The Articles of Incorporation state,

There shall be a Governing Board which shall have the power to manage only those affairs of the corporation specified in the bylaws. There shall be three trustees who shall constitute the initial governing board. The number of trustees on the governing board may be changed by the bylaws of the corporation but in no case shall the number be less than three.

The only person functioning on this governing board is David Thompson; the other two members of the board have not functioned as such for many years, if at all.

The Articles of Incorporation also state,

The annual stockholders meeting of the corporation shall be held at the corporation office the second Monday in January of each year or a day substituted by an act of the Board of Directors, and no notice of the annual stockholders meeting need be given.

**Have these meetings occurred?** We have requested minutes from these meetings, but none have thus far been presented to us by the company.

The Bylaws state,

- a) The Governing Board will prepare and submit to the member shareholders a budget for all expenditures of the corporation at least annually for shareholder approval.
- b) The budget and any amendments thereto must be approved by a majority of the voting shareholders.

We are unaware of this happening in a consistent manner. The first budget (attached) we have received in a long time was at a meeting on Monday, September 13, 2010. It was not an actual budget, but more an *estimate* of what Tremonton City will be charging the company each year. Again, we have no idea how much water we use since there has been no metering in the past. This budget does not contain any charges that will occur from the Cedar Ridge Distribution Company. **What will the company charge?** We were told that has not been figured out yet.

The Articles of Incorporation and the Bylaws contain confusing terms referencing the people involved. The terms “stockholders,” “members holding stock,” “members holding stock with voting rights,” “shareholders,” “voting shareholders,” and “member shareholders” are used and interchanged in a manner that makes it difficult to identify exactly to whom the statement is referring.

The Articles of Incorporation state that, “There shall be officers in accordance with the bylaws.” When a couple of homeowners contacted the Utah Division of Corporations and Commercial Code this September 2010, it was found that the officers were listed as follows: David Thompson, president; Leann Buttars, vice president; Frank Walker, secretary; Keith Anderson, treasurer. Neither Frank nor Keith was aware that they were listed as officers of this company. That occurred without their knowledge or consent.

The Articles of Incorporation say that the company will, “...Own operate, maintain and control such meters and other appliances as may be necessary to carry out the purposes of the corporation.” In a notarized letter filed with the State Division of Natural Resources (attached) David Thompson seeks an extension of water rights. The conditions to extend were as follows:

Totalizing meters are scheduled to be installed on 15 September 1995;  
The water right will be transferred to the Cedar Ridge Distribution Company; and  
The associated proof maps must be finalized.

The meters were never installed on the two pumps. Also, meters have never been installed on the homes that David Thompson developed and built and are currently receiving water through the Cedar Ridge Distribution Company. The company is currently warning us that the state is coming after “us” to install the water meters. We

were informed that we would be assessed for the purchase and installation of those meters. **Which state division is coming after the company to install meters on each home? Are homeowners required to pay for meters in one lump sum?**

Because there are no meters, we really don't know how much water we use. This means that we really don't know if there will be enough water to supply us with the shares to which we are entitled. In fact, the Articles of Incorporation state that there are three shares of stock (A, B, and C). The Articles state,

Each share of Class A stock shall entitle the shareholder to the use of up to a maximum of .448 acre feet of culinary water for residential use for only the lot specified on the share.

The Articles also state,

Each share of Class B stock shall entitle the shareholder to the use of up to a maximum of .448 acre feet of residential irrigation water per calendar year subject to necessary or applicable conditions and restrictions imposed by the bylaws and resolutions of the corporation.

***The Division of Water Rights recognizes that the duty in Box Elder County for our area is 4 acre feet of irrigation water per acre.*** In essence the Articles of Incorporation limits each lot to less than 1/10<sup>th</sup> of an acre of the entitled irrigation water. Most of the lots are about one acre, some are a little more.

Also, we are concerned that since we have not metered any water, we do not know if we will have enough for fire suppression. There was a fire in the subdivision on July 24, 2010. Just one week prior, there was *no water available* for suppression of fire. **When was the last time our fire hydrants were tested? Is there enough water for fire suppression?** We are concerned about what will happen and there is a fire if this situation is not remedied.

Another issue connected to water meters is the fact that since there is no way to meter how much water we use (totalizing meters), the company has never submitted water use reports to the Division of Water Rights. This can be seen on their website (see attached), and was confirmed on the phone this month (September 2010).

There were three official protests submitted to the purchase of this well by Tremonton City and all are valid concerns (attached). There would have been more protests by some of us who live in the subdivision if we knew what was happening, but since we are not residents of Tremonton City, we were not following their public notices.

The company Bylaws state,

Certificates of stock shall be issued in numerical order for each class of stock authorized by the Articles of Incorporation from the stock certificate book.

A record of each certificate issued shall be kept on the stub thereof. In addition, the name of the owner of each certificate shall be entered in the official books of the corporation.

No certificate of stock shall be considered valid unless the certificate has 1) the corporate seal, 2) a number of issuance, 3) the required signatures, and 4) the name of the original owner to whom the stock was issued corresponding to that name as entered in the books and stub of the certificate.

To our knowledge, certificates of stock have not been issued.

In the Articles it states,

Each share of stock shall carry the right to one vote in the company for each said share, and all shares shall have accumulative voting rights...

In another place the Articles state,

Each share of Class A and B stock shall have no voting rights in the corporation.

Again, this is confusing. **Do we have any voting rights? If so, what are they?**

The Tremonton City Well Purchase Agreement states,

To Seller's knowledge after due inquiry, Seller has not in the past utilized the Water Well in violation of any law, ordinance or regulation of any governmental agency or entity.

**What about functioning without a certificate of operation or exemption? How about promising the State Division of Natural Resources in a notarized letter to install meters on the well pumps by September of 1995 and not doing so?** The well was sold and Tremonton City has already built a pump house and laid pipe before they have even received their water rights from the state.

There are a couple of people trying to sell their homes in the subdivision. **How can they do so when they don't know what to tell people about the water?** There is no share certificate to pass on and we have no idea what the new rates will be (due to the sale of the well). The company gave an estimate, but there are no meters to support the estimate. It is also seems undesirable to obtain water from Tremonton City who bills the Cedar Ridge Distribution Company which then bills us. **Will we be double billed?**

Some other questions we have: **Why is the company in debt? Where are the financial records? What is the schedule of who owns what? What is the status of the infrastructure? Are there leaks? Is the infrastructure up to code?**

David Thompson stated at the water meeting on September 13, 2010 that he wants to "divest himself of the system." He was asked what he meant by that. Did he expect us to

*purchase* the system from him? David said that he wanted to GIVE it to us. That sounds nice, but frankly, we don't want to be handed a bunch of problems and liabilities. We want the Cedar Ridge Distribution Company to square up its business and make it legal, and THEN we can talk about taking over the management of the water as a community or explore other options.

**What relief does the Complainant request?**

1. We want answers to the above questions in bold.
2. We want the Cedar Ridge Distribution Company to obtain a Certificate of Operation and operate according to the rules and standards for distribution of water as a public utility.
3. We want the company's financial records and standard accounting practice to include invoicing all of which should be public by *law* as a non-profit corporation.
4. We want the company to install meters at the source (at the very least).
5. We want to receive a monthly invoice documenting what we owe and payments received.
6. We want to know if there is enough water for fire suppression and if the hydrants are up to code and functioning. Is Cedar Ridge Water Distribution indemnified with liability insurance?
7. We want an accounting of the infrastructure. What condition is it in? Are the lines old or out of compliance for diameter and placement? Are there any major leaks?
8. We want to see remedies to the above complaints so that we are offered a company and water system that is intact and functioning properly. We want this to happen so that when we change how our water system operates, we will not be taking responsibility for Cedar Ridge Distribution Company's mismanagement and liabilities.

**Signatures and Date:**

Bryce Wiser 9/27/10      Lori Nuser 9/27/2010  
Keith J. Anderson 9/27/10      Barbara Anderson 9/27/10

Frank Walker 9/27/10 Traci Walker 9-27-10  
Langley E. Adams 9/27/10 Diana Adams 9/27/10

Buddy and Dorothy Hogan are presently out-of-town and will be mailing in their signatures on this same document.