

**ORIGINAL**



MEMORANDUM

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AZ CORP COMMISSION  
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TO: Docket Control

FROM: Ernest Johnson *gle*  
Director  
Utilities Division

DATE: December 12, 2005

RE: **COMPLIANCE REPORT FOR DECISION NO. 67823 – STAFF  
RESPONSE TO THE FILING OF THE “2005 REPORT BY PINE  
WATER COMPANY, INC. ON WATER SUPPLY ALTERNATIVES”,  
DOCKET NO. W-03512A-03-0279**

**Introduction**

Pursuant to Decision No. 67823 (May 5, 2005) and a Procedural Order dated October 31, 2005, Commission Staff is filing its response as a compliance report to the filing of the “2005 Report by Pine Water Company, Inc. on Water Supply Alternatives” that was docketed on November 10, 2005. According to the Procedural Order, Staff is to file its response by December 12, 2005.

**Staff’s Response**

The following is Staff’s response to Pine Water Company, Inc.’s (“PWCo”) water supply alternatives (with PWCo’s ranking system of 1 to 5, where 5 is believed to be far less feasible than an alternative ranked number 1):

1. Alternative #1: Horizontal Well, North Pine

PWCo ranking: 5

Staff ranking: 5

Staff response: The estimated cost of \$3,280,000 is for a horizontal well, and according to PWCo, this type of well drilling has never been attempted in Northern Gila County. The risk to drill this type of well is, as PWCo puts it, “a stab in the dark”, is too high and may not be feasible.

2. Alternative #2: Single Deep Well, Strawberry, AZ; Existing Brooke Utilities, Inc. ("BUI") Site

PWCo and SWCo ranking: 5  
Staff Ranking: 1

Staff response: The estimated cost of \$3,750,000 is proposed to be funded by Pine-Strawberry Water Improvement District ("PSWID") and BUI would be obligated to purchase the well only after agreeing to a sustained yield water supply criteria. The risk to drill this well and produce an adequate amount of water will be on the PSWID and not with PWCo or Strawberry Water Co. ("SWCo").

3. Alternative #3: Single Deep Well, the "SB5950A" site, Strawberry, AZ

PWCo and SWCo ranking: 5  
Staff ranking: 3

Staff response: The estimated cost of \$4,722,000 proposes that PSWID will drill a well bore approximately 2,190 feet and wholesale the water to PWCo. Although environmental and Salt River Project ("SRP") challenges may need to be addressed, the risk to drill this well as with Alternative #2, does not belong to PWCo or SWCo. This alternative is possible if environmental and SRP challenges are resolved.

4. Alternative #4: Single Deep Well, the "SB5950B" site, Strawberry, AZ

PWCo and SWCo ranking: 5  
Staff ranking: 3

Staff response: (Same cost and comments as Alternative #3 above.)

5. Alternative #5: Pine Creek Storm Water Runoff and Storage; CAP Exchange Agreement

PWCo ranking: 5  
Staff ranking: 5

Staff response: The estimated cost of \$3,074,500 is to reactivate a surface water treatment plant on Pine Creek. This alternative maybe impractical because of the high cost and the fact that Pine Creek does not have stream flow year round, and particularly during the summer and drought periods, when water is most needed by PWCo.

6. Alternative #6: Pine Surface Water Storage Reservoir; Pine Reservoir Project

PWCo and SWCo ranking: 3  
Staff ranking: 5

Staff response: The estimated cost of \$5,480,000 proposes a 22 million gallon storage reservoir and treatment plant that is not a water supply alternative. The environmental issues may be extensive and the source of water to fill the reservoir cannot be identified.

7. Alternative #7: Blue Ridge Reservoir Pipeline Options for Payson, Pine and Strawberry

PWCo ranking: 5 for all four options.  
Staff ranking: 5 for all four options.

Staff response: This alternative has four water delivery options with cost estimates of \$73,100,000; \$53,500,000; \$72,000,000; and \$91,100,000. However, neither PWCo nor SWCo provided their allocation amounts from the four total cost estimates. This alternative is much more expensive and uncertain compared to other options available to PWCo.

8. Alternative #8: Blue Ridge Reservoir Control Road #32 Pipeline and Water Treatment Plant; Also Known as Black & Veatch Engineering Study Change Order #1

PWCo ranking: 5  
Staff ranking: 5

Staff response: This Alternative #8 amount of \$17,944,080 is in addition to the \$73,100,000 (Option 1) in Alternative #7. However, neither PWCo nor SWCo provided their allocation amount from Option 1's total cost estimate.

9. Alternative #9: Camp Geronimo Water Diversion, Control Road #32 Pipeline, Water Treatment Plant; Internally Also Known as "Project Maverick"

PWCo ranking: 5  
Staff ranking: 5

Staff response: The estimated cost of \$18,400,000 has no impact on the water supply for PWCo. This alternative is for Payson Water Co. – Geronimo System.

10. Alternative #10: Bray Creek Ranch Water Diversion, Control Road #32 Pipeline, Water Treatment Plant; Internally Also Known as "Project Maverick"

PWCo ranking: 5  
Staff ranking: 5

Staff response: The estimated cost of \$18,600,000 has no impact on the water supply for PWCo. This alternative is for Payson Water Co. – Geronimo System.

11. Alternative #11: Develop Above Ground Water Storage Facilities

PWCo and SWCo ranking: 5  
Staff ranking: 5

Staff response: The estimated cost of \$2,000,000 does not provide an additional supply of water for PWCo. This alternative could be pursued after additional water supply is found.

12. Alternative #12: Expansion of Water Sharing Agreements with Existing Water Well Owners

PWCo and SWCo ranking: 1  
Staff ranking: 1

Staff response: The estimated cost of \$35,000 per new well for this alternative is highly attractive, if available to PWCo and SWCo. PWCo and SWCo should pursue additional water use agreements whenever possible and economical.

13. Alternative #13: Well Exploration of Public Lands

PWCo and SWCo ranking: 5  
Staff ranking: 5

Staff response: Cost unknown. The location, quantity and transporting of water is not known. The environmental issues may be extensive.

14. Alternative #14: Pine Creek CAP Water Exchange Agreement with SRP

PWCo ranking: 3  
Staff ranking: 5

Staff response: This agreement estimated at \$1,000,000 is similar to Alternative #5 and could work in combination with Alternative #6.

15. Alternative #15: Water Hauling on an "As Needed" Basis

PWCo ranking: 2  
Staff ranking: 5

Staff response: This alternative is not a permanent or long-term water supply solution, and should only be used as an emergency measure, not as normal operation.

16. Alternative #16: Blue Ridge Reservoir Water Diversion to Pine Creek

PWCo and SWCo ranking: Unknown  
Staff ranking: Unknown

Staff response: Cost unknown and insufficient information to comment.

17. Alternative #17: Deep Well Exploration in Fault Areas in Pine (Ploughe Recommendation)

PWCo ranking: 4  
Staff ranking: 2

Staff response: The estimated cost of \$3,880,800 seems overstated. However, PWCo could request Commission approval of an "accounting order" which would allow PWCo to record its costs for possible recovery later. The approval of an accounting order could reduce the risk of PWCo's concern of cost recovery in order to determine if sufficient quantities of water are available under Pine. PWCo could also request a surcharge to be used to specifically fund the analysis and implementation of this alternative.

18. Alternative #18: Cessation of Further Development in Pine and Strawberry

PWCo and SWCo ranking: 5  
Staff ranking: Not applicable.

Staff response: Cost unknown and not a water supply alternative.

19. Alternative #19: Legislative Alternatives

PWCo and SWCo ranking: 5  
Staff ranking: Not applicable.

Staff response: Cost unknown and not a water supply alternative.

20. Alternative #20: Strawberry Hollow Domestic Water Improvement District Water Adequacy Application

PWCo ranking: Unknown  
Staff ranking: 2

Staff response: Cost unknown. Awaiting ADWR water adequacy approval. If ADWR's response in connection with this alternative is positive, it should show that Alternative #17 is feasible.

21. Alternative #21: Condemnation of Existing Local Water Supplies

PWCo and SWCo ranking: 5  
Staff ranking: Not applicable

Staff response: Cost unknown and no comment.

**Summary**

Staff has reviewed PWCo's filing of its water supply alternatives for specific long-term solutions to its water shortage issue. Based on this review, Staff has listed its top six ranked alternatives in the order it believes each should be pursued:

1. Alternative #12: Expansion of Water Sharing Agreements with Existing Water Well Owners – The estimated cost of \$35,000 per new well for this alternative is highly attractive, if available to PWCo and SWCo. PWCo and SWCo should pursue additional water use agreements whenever possible and economical.
2. Alternative #2: Single Deep Well, Strawberry, AZ; Existing BUI Site – The estimated cost of \$3,750,000 is proposed to be funded by PSWID and BUI would be obligated to purchase the well only after agreeing to a sustained yield water supply criteria. The risk to drill this well and produce an adequate amount of water will be on the PSWID and not with PWCo or SWCo.

3. Alternative #17: Deep Well Exploration in Fault Areas in Pine (Plouge Recommendation) – The estimated cost of \$3,880,800 seems overstated. However, PWCo. could request Commission approval of an “accounting order” which would allow PWCo to record its costs for possible recovery later. The approval of an accounting order could reduce the risk of PWCo’s concern of cost recovery in order to determine if sufficient quantities of water are available under Pine. PWCo could also request a surcharge to be used to specifically fund the analysis and implementation of this alternative.
4. Alternative #20: Strawberry Hollow Domestic Water Improvement District Water Adequacy Application – Cost unknown. Awaiting ADWR water adequacy approval. If ADWR’s response in connection with this alternative is positive, it should show that Alternative #17 is feasible.
5. Alternative #3: Single Deep Well, the “SB5950A” site, Strawberry, AZ – The estimated cost of \$4,722,000 proposes that PSWID will drill a well bore approximately 2,190 feet and wholesale the water to PWCo. Although environmental and SRP challenges may need to be addressed, the risk to drill this well as with Alternative #2, does not belong to PWCo or SWCo. This alternative is possible if environmental and SRP challenges are resolved.
6. Alternative #4: Single Deep Well, the “SB5950B” site, Strawberry, AZ - (Same cost, rankings and comments as Alternative #3 above.)

EGJ:SMO:MSJ:red/JG

Originator: Marlin Scott, Jr.

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