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Tommie C. Martin, District I
P.O. Box 2297, Payson AZ 85547
(928) 474-2029
tmartin@co.gila.arizona.gov

José M. Sanchez, District II
1400 East Ash Street, Globe AZ 85501
(928) 425-3231 Ext. 8753
jsanchez@co.gila.arizona.gov

Shirley L. Dawson, District III
1400 East Ash Street, Globe, AZ. 85501
(928)402-8753
slawson@co.gila.arizona.gov



GILA COUNTY
BOARD OF SUPERVISORS
1400 East Ash Street
Globe, Arizona 85501-1414

Steven L. Besich, County Manager
Clerk of the Board of Supervisors
(928) 402-8761
sbesich@co.gila.arizona.gov

John F. Nelson
Deputy County Manager
(928) 402-8754
jnelson@co.gila.arizona.gov

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December 05, 2005

Jeff Hatch-Miller, Chairman
Kristin K. Mayes, Commissioner
Marc Spitzer, Commissioner
William Mundell, Commissioner
Mike Gleason, Commissioner

Cc: Dwight Nodes, Admin. Law Judge
Steve Olea, Assistant Director, Utilities
Marlin Scott, Jr., Utilities Staff Engineer
Docket Control

Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Docket No. W-03512A-03-0279
Pine Water Company

Honorable Commissioners:

In the last six months, much conversation, hard work, and new information has come forth related to the water situation in Pine, Arizona. Pine Water Company ("PWCo"), numerous private citizens, the United States Geological Survey ("USGS"), local water operators, the Mogollon Rim Water Resources Management Study ("MRWRMS"), and local entrepreneurs have provided valuable data to apply to the question of the availability of adequate long-term water resources for the Pine community.

In particular, you will be receiving input from Highland Water Resources Consulting (Mike Ploughe), Barbara Hall (Chairman of Pine Strawberry Water Improvement District), and Harry Jones (consultant to Gila County and our representative to MRWRMS). I appreciate your willingness to include in your deliberations this citizen input along with my observations. Once again, your open meeting hearing schedule conflicts with our Board of Supervisors' meetings, and I have asked Harry Jones to introduce this communication into the official record of this docket.

Before outlining my comments on this issue, it may be of value to the Commission to know that I personally have a strong background in the development of natural resources, water in particular. I have spent the last 19 years as a natural resource

consultant, with projects primarily throughout the American west, in east Africa, and northern Mexico. I have done extensive work in areas with similar challenges to those faced in the Rim Country, both from the perspective of the resource itself, and from the standpoint of the human dynamic inherent in these issues. In addition, my father and our family were the founders of the Payson Water Co. (which became the Payson Municipal water system) and the drillers of over 1,000 wells in the Rim Country. I have personally helped lay miles of pipeline in the area; however, we stayed away from the operating systems in Pine and Strawberry (and others) because of the many problems that have existed over the years from apparent poor materials and techniques utilized during construction.

Now, concerning the issue at hand, I submit the following observations:

(1) The letters and comments received by me highlight the fact that the domestic water improvement districts contiguous with the Pine Water Co. ("PWCo") service area have been significant net water providers to the PWCo system for many years. It also appears that local risk-taking entrepreneurs, rather than the regulated utility (PWCo), were the primary developers of the more important wells currently used by PWCo. This seems to be supported by (a) the testimony and exhibits in the PWCo rate case that was settled late last year, and (b) the comments being offered in the replies to the 21 alternatives discussed by Mr. Hardcastle in his November 10, 2005 response to your requirements outlined in Order #67823 dated 5-5-05.

(2) Significant new information appears to indicate that the long-term water supply situation in Pine is not as dire as previously believed and stated. This observation is based on:

- (a) the personal meetings, data, and positions expressed by many respected private citizens of Pine, and other local water operators, who have written letters and position papers to you and me;
- (b) the conclusions of John Parker, et. al. in the U. S. Geological Survey report entitled Hydrology of the Mogollon Highlands released earlier this year describing the existence and adequacy of the deep, self-sustaining regional aquifer under Pine;
- (c) the filing of the 100 year adequacy report of the Strawberry Hollow Water District whereby that District stated it intended to make available 43 acre-feet of water to "the Pine community" (meaning an approximate 22% increase to the PWCo system); and
- (d) the very encouraging results of the Mogollon Rim Water Resources Management Study ("MRWRMS") that closely defines the likely extent and location of the "deep aquifer" under Pine.

(3) The experience of those who have successfully found water within Pine over the years, the extensive scientific evidence from the recent studies (MRWRMS and the USGS), and the information from the new deep well currently being drilled in the center of Pine by another entrepreneur, supports the fact that water is available within Pine.

Logically however, this water can only be used to solve PWCo's water problems if it is properly tapped and distributed by them.

Respectively, I do disagree with the major alternatives being proposed by the PSWID that mainly focus on drilling more wells in the Strawberry area, possibly de-watering that area (at extremely high drilling and operating costs) while avoiding use of new economical deep water resources available in central Pine.

I commend Brooke for not having any system in the Rim County go off Stage One this last summer, or having to haul water by truck to supplement supplies. However, with less rain or snow this next winter, we could easily be right back into the same situation as prior years if they are allowed to only pursue the two alternatives they seem to favor in their 11-10-05 report to you. These were (a) to further pump from the shallow Strawberry aquifers, and/or (b) to haul more water by truck (at 40-80 times normal water costs).

Real success is dependent on PWCo extending effort, financial resources, and leadership in solving this long-existing customer service issue. As I understand the ACC rules and operating guidelines, "adequate" service must be provided by the utility if the resources are reasonably available. PWCo needs to bring the additional and readily available Pine water sources into their system, and to add badly needed adequate storage capacity to their system. To give them the time to do so, I would be in agreement that the moratorium of two meters per month could be held at its current level for some months, and then possibly raised to 4-6 per month for some months, and then eliminated altogether as the Pine water sources and adequate storage come on line.

I would support any actions you would like to take along these lines to provide PWCo with incentives to do "their" job and to provide reasonable service to the areas of Pine within their CC&N.

Call me with any questions or ideas of how I or our staff may help with this situation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tommie Cline Martin", with a long horizontal flourish extending to the right.

Tommie Cline Martin,
Supervisor District One