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AZ CORP COMMISSION
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December 8, 2005

Jeff Hatch-Miller, Chairman Cc:
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Marc Spitzer, Commissioner
William Mundell, Commissioner
Mike Gleason, Commissioner

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:

As the Chairman of the Board of the Pine/Strawberry Water Improvement District ("PSWID"), and as a customer of Pine Water Co. ("PWCo" or "Company") I am personally commenting on certain aspects of the Report by Pine Water Co., Inc. on Water Supply Alternatives dated 11-10-05 ("Report"). Unfortunately, our District is no longer an intervener in this case; however I wish to have my individual concerns entered into the Docket referenced above. I understand Mr. Breninger, a member of the PSWID Board, is a personal intervener in this case and is expected to respond directly to you on his own.

Mr. Hardcastle of PWCo has been in contact with me on several occasions related to the long-standing concern with water supplies available to our community. He has attended one of our Board meetings and had Myndi Brogdon of his company present for most of the other public sessions we have held. I have appreciated the fact that Mr. Hardcastle has spent many hours reviewing and responding to possible alternative solutions developed by our Alternatives Committee consisting of John Breninger and Glenn Brown (committee disbanded on 6-13-05).

As was brought up by Mr. Breninger in our meeting on 11-17-05, Mr. Hardcastle has not been responding the last several months to calls from Mr. Breninger. This is unfortunate but is apparently not Mr. Hardcastle's fault. As President of Brooke Utilities, Mr. Hardcastle is an important person for our District to work with on every alternative or opportunity related to new water. He expressed his frustration with his attempts to interface with our Board as follows:

As of 7-06-05, by stating in a memo to Harry Jones concerning a two hour conference call with John Breninger and Glen Brown related to Alternative JB3 and pricing of wholesale water (forwarded to me as the Board Chairman of the PSWID, with Mr. Hardcastles' written approval) that "More than ever before I am convinced that JB's (*John Breninger*) passion for his positions also includes lots of personalization of the issues. I think MB (*Myndi Brogdon*) agrees. I think some of his discussion and argument was made up as he went along. I explained to MB that I will not allow myself to become embroiled in lengthy time wasting exercises like that again. For the most part, JB's positions are counterproductive and, no doubt extremely confusing to those that don't understand the fundamentals of the issues well. I can imagine the sense of being lost of those that are less well informed. I think MB was completely exasperated as well", and

As of 8-24-05 in a memo to Harry Jones related to paying for the Black and Veach study on costs of piping of Blue Ridge water to Pine by stating "I think it is incredulous of PSWID not to pay for this information both as (a) a vested participant in MRWRMS, and (b) as the official party charged with examination of alternative water supplies. In light of this decision PSWID must, it seems to me, discount inclusion of alternatives #7 and #8 completely if they regard such BRR (*Blue Ridge Reservoir*) information so little. I think PSWID is being completely led (i.e. mis-led) by Breninger & Co. and are trying to build a war chest big enough to internally fund a deep well exploration project with the idea of finding as much as 500 gpm. I think such direction is not only irresponsible but also a breach of the Board's implied fiduciary requirements. If they spend that money and find little or no water there ought to be hell to pay. There is no science or professional documentation to support their positions".

For several months, I have refrained from introducing this kind of information into this discussion, hoping to smooth out the relationships and move on forward. However, at this point both our Board and the ACC needs to fully understand Mr. Hardcastle's concerns and figure a way to permanently solve our long-term water problems. In addition to this understandable communication problem with the major player for water in our community, our Board is frankly having difficulty moving forward on how to pursue the top ranked PSWID alternatives (same as the Company's designated alternatives 1-4) because our new alternatives action Committee formed for that purpose, consisting of one Board member and hopefully several citizens, is having no success in recruiting knowledgeable community members to serve as participants in this important process.

The alternatives Mr. Hardcastle has discussed in his Report of 11-10-05 that I have comments on are:

- PWCo Alternative #1: After having talked to officials of the camp at the top of Pine Canyon (location of the proposed horizontal well) and to the regional property manager of the owner (LDS Church), I believe the complexities of drilling horizontally and probably from one National Forest (Tonto) into another

(Coconino) would not be approved. Besides being extremely costly, this alternative appears to be the most technically challenging of all ideas and may actually violate the State of Arizona prohibition against moving groundwater from one basin to another.

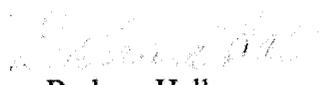
- PWCo Alternatives #2-4: I agree these alternatives, all submitted to Mr. Hardcastle by the PSWID Alternatives Committee, are likely to be excessively expensive. They are all solutions based on new deep wells in Strawberry that are far away from Pine and they would all require construction of expensive new pipelines to move water to the head of the Magnolia pipeline that would then take the water to the Pine locations where the water is needed. In addition to the extra piping required, the proposed wells in these locations are extra deep (versus drilling into the same aquifer in Pine), dramatically increasing the costs to a level that does not seem feasible for the ratepayers of Pine to absorb.
- PWCo Alternative # 12: Mr. Hardcastle has indicated "this water supply alternative is highly attractive because of its low development and operational costs". He indicates he has an arrangement that will allow PWCo to utilize one existing well and to develop three other small wells (presumably shallow at 10-15 gpm). My concern with this alternative is that it relies on shallow wells that may de-water the upper aquifer in Pine, therefore it should possibly only be considered as a stop-gap measure and not as a "long-term permanent solution" you asked to be evaluated in the Report. With many of our District's constituents property owners in Strawberry, and knowing that Pine is already heavily dependent on their water resources, in no way do I want to take further advantage of those neighbors that have so far been highly cooperative with the property owners of Pine, especially when other good non-Strawberry alternatives seem to be reasonably available
- PWCo Alternative # 20: During the 11-17-05 PSWID Board meeting, I introduced a failed motion to have our District help facilitate and possibly help fund programs like the situation proposed to PWCo by Strawberry Hollow Domestic Water Improvement District. I was hoping our Board would show support of and incentive for participation (and hopefully some degree of cooperation) by PWCo, Strawberry Hollow, and the Bureau of Reclamation study group that is supplying significant scientific information to help us and others solve local water problems. I realize that private entrepreneurs and the local water districts have been of utmost importance to our community over the years, with them having developed many of the good wells that supply PWCo with the majority of the water the Company distributes in Pine. Taking advantage of the offer by Loren Peterson of Strawberry Hollow to allow PWCo to immediately increase the water supplies for its CC&N by 22% is critical to our short- and intermediate-term water needs in Pine. I encourage PWCo to immediately avail themselves of this opportunity, hopefully voluntarily, but if necessary, at the direction and order of the ACC. I understand Mark Fumusa and the Solitude Trails Domestic Water Improvement District (and its affiliated homeowners association) is considering drilling another deep well to hopefully keep their community from ever coming under the control and service of PWCo.

In addition to the alternatives considered by Mr. Hardcastle in his Report of 11-10-05, I attempted at the 11-17-05 meeting of the PSWID to add to the District's alternatives list a new option to support possible joint exploratory drilling efforts within Pine in cooperation with the Bureau of Reclamation, one of the partners of the MRWRMS. The exploratory holes (to confirm the geology and existence of water under Pine, as projected in the MRWRMS study) would likely lead to development of deep wells in the lower aquifer that result in significant volumes of lower cost water produced in Pine, compared to the higher cost water developed within the Strawberry community. My motion was defeated four to two; however it still seems like a viable alternative for immediate action. I feel this option, since it cannot be carried out by the PSWID due to lack of support, should be added to the PWCo alternatives list, and it should be pursued immediately by PWCo which, under any circumstances, would ultimately be the beneficiary of any water found. If this exploratory water is located, developing the production well (utilizing the deep well alternatives proposed by Mike Ploughe), would be expected. Please see the PWCo deep wells Alternative 19 which apparently way overstates costs estimated by PWCo.

Commissioners and Staff, I sincerely appreciate the efforts and significant time you and Gila County have spent attempting to find a solution to the long-standing water problems of our area. I would encourage the Commission to find a way to overcome the major concern of Mr. Hardcastle which seems to be to find a way to guarantee cost recovery for any efforts (whether successful or not) his company might be willing to put forth to "develop long-term permanent solutions to the chronic water shortage issues in the Pine, Arizona areas" that you were requiring in their Report to you. We need more than just minor additions to water resources that Brooke seems to possibly favor (only because those options are low cost projects). Pine Water Company needs to be willing to commit substantial resources to find long-term permanent solutions that you are asking to be developed!

Please call me if I can provide any assistance.

Sincerely,



Barbara Hall

Cc: Tommie Martin, Gila County Supervisor
Robert Hardcastle, Brooke Utilities