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March 29, 2006

Mr. Steven L. Besich
County Manager
Gila County Board of Supervisors
1400 E. Ash St.
Globe, AZ 85501-1414

Re: **Pine Water Company** W-03512A-03-0279

Dear Mr. Besich:

I am in receipt of your letter dated March 22, 2006, concerning my client, Pine Water Company ("PWCo"), and the recent procedural conference before the Arizona Corporation Commission ("Commission"). Your letter, or more particularly the accusations contained therein, are misguided. Therefore, my client and I feel compelled to respond.

To begin with, regarding your claim of "outrageous" and "careless" conduct by me as counsel for PWCo during the February 21, 2006 Procedural Conference, I will remind you that I am an advocate and obligated to zealously represent my client. In that capacity, it is perfectly appropriate for me to question both the County's involvement in the proceeding as well as Mr. Jones' authority. For starters, the County has never moved to intervene in any Commission docket as a party, preferring instead to offer its harsh criticism of my client to the Commission as a non-party. Moreover, to the best of my knowledge, Mr. Jones is neither an elected official of the County, an attorney authorized to represent the County in governmental proceedings, or even, to our knowledge an employee of the County. Given these circumstances it would be inappropriate for me not to question and challenge efforts by the County and Mr. Jones to undermine PWCo before its regulator, efforts that have, at a minimum, caused my client to incur significant additional expenses.

Next, regarding your claims that PWCo is "deficient" in providing services to its customers, we strongly disagree. PWCo takes the responsibilities imposed under its CC&N seriously and the Commission has never made a finding that those obligations were not

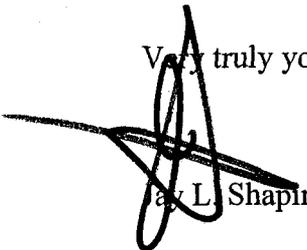
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reasonably being met. In fact, the Commission has repeatedly found that water utility service has substantially improved since Brooke Utilities acquired the system roughly 10 years ago. This is true despite concerted efforts by Gila County to undermine my client's provision of service. For example, the County has fostered further development in and around Pine by, among other things, issuing building permits without any analysis of available water supplies and by creating County-authorized water providers that compete for existing water supplies, ignoring impacts on existing Pine residents when limited water supplies are further tapped. As for restrictions on new connections and the rates charged, those are requirements imposed on PWCo by the Commission. I assume the County is not suggesting that PWCo violate the law by ignoring Commission orders.

Finally, letter writing is hardly the proper forum to address whether my client has complied with prior Commission orders concerning the pursuit of long-term water supply alternatives. Suffice to say, we believe that PWCo has complied with all of the requirements of Decision 67823 and are aware of no finding by the Commission or its Staff to the contrary. This includes, without limitation, the required filing of the water supply analysis late last year and on-going discussion of long-term water supply solutions with other interested parties. Put simply, if the County feels otherwise, it should pursue such a claim before the appropriate jurisdictions.

Very truly yours,



J. L. Shapiro

JSHA/mlh

cc: Docket Control

Robert Hardcastle, President
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