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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF THE WHISPERING PINES FIRE
DISTRICT FOR A VARIANCE TO THE
MORATORIUM ON NEW SERVICE
CONNECTIONS FOR PAYSON WATER
CO.'S GERONIMO ESTATES WATER
SYSTEM

Docket No. W-03514A-05-0729

**EXCEPTIONS TO RECOMMENDED
ORDER**

On October 19, 2005 the Whispering Pines Fire District (the "District") filed its letter Application for Variance to the Meter Moratorium on New Service Connections (the "Application"). Attached to the District's Application was an additional letter dated October 4, 2005 describing the specific water usage requirements of the District including the following: (a) the need to hose off steps of fire trucks, and (b) wash hazardous chemicals and blood off firefighters when they return from emergency fire and medical calls. The District specifically indicated they did not intend to refill tender trucks or fight fires with water supplied from the meter requested from Payson Water Co. (the "Company" or "Payson Water") (Exhibit S-1, at 1 and Recommended Opinion and Order, page 8, lines 25-27). The District's intention, in this regard, was additionally confirmed by numerous statements made during the Hearing conducted on February 8, 2006.

The conclusions of the Recommended Opinion and Order ("ROO") have significantly

1 expanded the scope of the Application with burdensome and expensive requirements that were
2 not requested by the District. Further, the Company's decision to neither oppose nor support the
3 Application of the District was based upon the Application filed by the District that did not
4 include provisions that were ultimately made part of record and have been included in the ROO.
5 Accordingly, Payson Water Co. prepared itself for the evidentiary Hearing based on the District's
6 Application exclusive of the conclusions reached in the ROO.

7 A. Records for Requests for Service.

8 The ROO provides for extension of service to new meters based on chronological receipt
9 of requests for service during previous years. The moratorium in the Company's water
10 system dates back to at least 1981 and has been periodically revised since. The
11 moratorium and limited water supply availability was a condition that was inherited by
12 Brooke Utilities, Inc. ("Brooke") when it bought the Company in August 1996. No
13 records of service requests from future customers was provided to, or known by, Brooke
14 from the previous owner. Further, because of the existence of the moratorium the
15 Company has not maintained records, and it was not required to do so, of customers
16 requesting service. The only record that the Company is aware of would be that record
17 created through requests for variance and applications submitted to the Arizona
18 Corporation Commission (the "Commission") in recent years. Absent these records the
19 Company would not be able to comply with the ROO because such records are not
20 available (see ROO Item 20 at page 9, lines 20-22; Item 23 at page 10, lines 18-20; and,
21 page 12 lines 11-16).

22 B. Water Supply Feasibility Report:

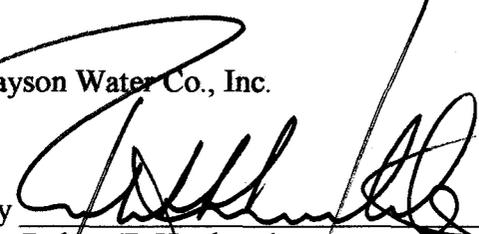
23 The ROO directs the Company to begin searching for new water sources and file a report
24 within 120 days from the effective date of an Order being issued. The Company believes
25 this requirement is overly burdensome and onerous since this requirement coincides with
26 the "100 Day War" period referenced numerous times in other Dockets. During this

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period all of the management attention, focus, resources, and expertise available to the Company from it's management and operations staff and external sources is necessary in order to manage several of the fragile water systems owned by Brooke. In light of the Geronimo Estates water supply being sufficient for the current number of customers it seems unfairly burdensome that the report required under this section must be developed and compiled during the same period that it's attention is needed in so many other areas. The Company would regret any situation where adequate service could not be provided customers of Brooke because its attention was diverted to regulatory report writing. The Company requests that the report required by the ROO be submitted to the Commission not later than December 31, 2006.

In conclusion, the Company requests that the ROO be modified to reflect the discussion provided in these Exceptions.

DATED this 25th day of April 2006.

Payson Water Co., Inc.
By 
Robert T. Hardcastle
President

Original and 14 copies mailed to the following on this 25th day of April 2006 to:

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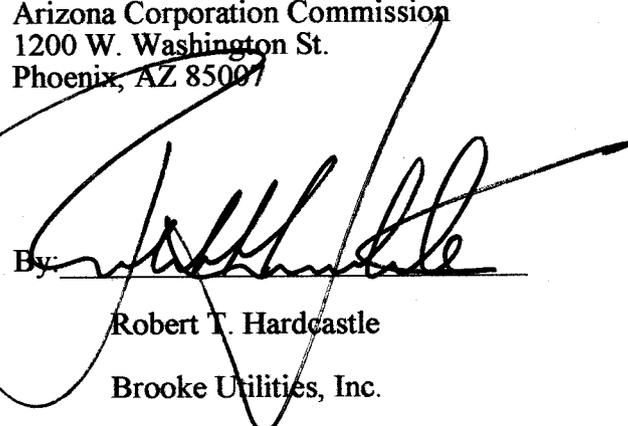
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