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**Brooke Utilities, Inc.**

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June 12, 2006

Steve Olea  
Assistant Director, Utilities Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Re: **Payson Water Co., Inc. Compliance Recommendation Pursuant to Decision No. 68696 dated May 5, 2006; Docket No. W-03514A-05-0729**

Dear Mr. Olea,

The Commissioners of the Arizona Corporation Commission (the "Commission") executed the above Decision No. 68696 (the "Decision") on May 5, 2006 requiring Payson Water Co., Inc. ("PAWCo.") to submit a non-discriminatory method of allocating eight additional water meters at it's Geronimo Estate water system (the "Water System") which is comprised of the Geronimo Estates and Elusive Acres subdivisions. PAWCo. has timely and seriously considered this matter at length and hereby proposes the allocation methodology below for consideration by the Utilities Division Staff.

We should be reminded that the Decision provided for two additional qualifying criteria of all customers allocated meters in the Water System. These criteria included:

- (a) "limited to lots where a [water] main currently exists to serve those lots". (see Decision No. 68696, page 10, Resolution No. 23, lines 18-19 and the first Ordering paragraph page 12, line 11).
- (b) "subject to new customers obtaining a building permit from Gila County within 90 days for a permanent residential dwelling unit." (see Decision No. 68696, second Ordering paragraph, lines 13-14).

In consideration thereof, PAWCo. makes the following prioritized recommendation for allocation of eight additional water meters in the Water System subject to Staff's comments and modifications:

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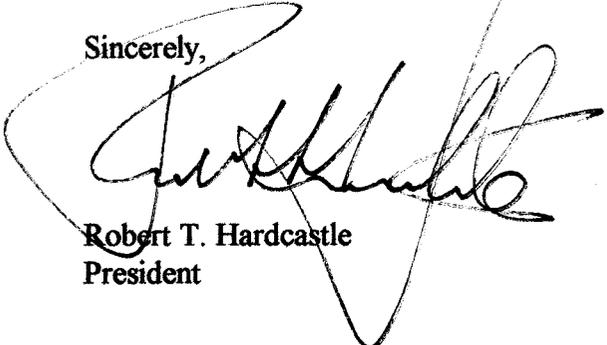
- (1) **First Classification**: Current property owners within the Water System that brought applications for variance from the existing meter moratorium, as provided in Decision No. 67747, and were denied variance relief because of a decision of the Commission. To the best of our belief property owners Prahin and Dunne are included, and possibly others, in this classification.
- (2) **Second Classification**: Existing full-time resident property owners within the Water System that are not current customers of PAWCo. This classification would also include property owners that currently have residential dwellings under construction and intend to reside in their dwellings as full-time residents. To the best of our belief property owner Swanson is included, and possibly others, in this classification. We recommend that existing full-time resident or construction status be established by declaration of the individual property owner.
- (3) **Third Classification**: Existing full-time resident property owners within the Water System that were recognized as Interveners in Docket No. W-03514A-05-0729 and are not included in a higher Classification.
- (4) **Fourth Classification**: If the prior Classifications do not fully allocate all water meters, the last Classification would provide for all other current property owners within the Water System, not included in a higher Classification, prioritized by chronological date of property ownership with longest property ownership prioritized highest and shortest property ownership prioritized lowest. We recommend that property ownership be evidenced by deed or other equivalent public record attesting to this fact. We recommend that a general customer mailing would notify these property owners of the opportunity of receiving a water meter subject to the Decision requirements and the recommendations made herein.

PAWCo. is confident that adoption of these recommendations will fully allocate all approved water meters to the Water System.

In accordance with the Decision requirements of Resolution 23, at page 10, lines 21-24, we await Staff's earliest convenient comments or further discussion of these recommendations. It should also be noted that the captioned Applicant in this Docket has not yet made application for the water meter approved by the Decision.

Please advise at your earliest convenience so that this matter may be concluded.

Sincerely,



Robert T. Hardcastle  
President

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