ARIZONA WATER COMPANY
Eastern Group
Docket No. U-1445A-02-0619
Witness (es) Kennedy

0000070725

Data Request No. REL 5-19
Please provide an explanation of the Pinal Creek Group ("PCG") agreement and the events that led-up to the agreement. Please explain the effect of the agreement on the Company's income statement as well as the plant accounts and rate base. Please provide a copy of the agreement.

Response To Data Request No. REL 5-19

The Company must delay its response to this data request because the PCG Agreement contains a Confidentiality provision that limits both disclosure of the terms and conditions of the Agreement and the content of the negotiations leading to the Agreement.

However, the Agreement also provides for disclosure pursuant to a subpoena or a formal request or order of the Arizona Corporation Commission, but before making any disclosure "AWC shall (i) provide each of the PCG members with prompt notice (written, if practicable) and, where applicable, a copy of any subpoena, written request or order; (ii) allow and not inhibit any timely efforts by one or more of the PCG members to legally prevent or limit the requested or ordered disclosure; and (iii) with respect to any information or document that ultimately must be disclosed pursuant to a governmental request, AWC shall (a) disclose only the specific information or document portions that must be disclosed and (b) assert and comply with any legal procedures for establishing the confidential non-public status of the disclosure."

On January 2, 2003, the Company notified the PCG members and furnished them with a copy of this data request as required by the Agreement. The Company will update this response after the PCG responds to that notice, or in two weeks of the date hereof, whichever is sooner.

Response To Data Request No. REL 5-19; 1st Supplement

The PCG has not responded to the Company's Notice. Therefore the Company will furnish the confidential information under the terms of an acceptable confidentiality agreement.

ALL-STATE LEGAL®
EXHIBIT
S-1
Admitted

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ARIZONA WATER COMPANY
Eastern Group
Docket No. U-1445A-02-0619
Witness (es) Kennedy, Garfield

Data Request No. REL 5-19
Please provide an explanation of the Pinal Creek Group ("PCG") agreement and the events that led-up to the agreement. Please explain the effect of the agreement on the Company's income statement as well as the plant accounts and rate base. Please provide a copy of the agreement.

Response To Data Request No. REL 5-19; 2nd Supplement

1. **Agreement & Events Leading to Agreement (Witness Garfield)**

   The agreement with the PCG settles AWC's past claims for damages arising from deteriorating groundwater quality allegedly caused by the PCG's mining and related activities near Miami. The agreement also requires the PCG to provide up to 600 gallons per minute of potable replacement water over the thirty (30) year term of the agreement.

2. **Effect Of The Agreement On The Company's Income Statement As Well As The Plant Accounts And Rate Base (Witness Kennedy)**

   Under the agreement, the PCG compensated the Company for a portion of the Company's past damages, [redacted] which was recorded as Other Income on the 1998 Income Statement. In addition, during the test year the PCG delivered 124,546,400 gallons of water to the Miami system at no charge to the Company. As a result, those production expenses are not included in the test year operating expenses. There has been no effect on the plant accounts or test year rate base.

3. **A copy of the Agreement was provided to Arizona Corporation Commission staff via Ron Ludders on 2/7/03 upon receipt of a signed confidentiality agreement.**