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Docket Number: W-03512A-06-0407; W-03512A-06-0613;
and W-03512A-07-0100 (consolidated)

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**BOARD OF DIRECTORS
PINE/STRAWBERRY WATER IMPROVEMENT DISTRICT**

P.O. Box 134
Pine, Arizona 85544-0134

March 15, 2007

Arizona Corporation Commission
Consumer Services Section
1200 West Washington
Phoenix, AZ 85007

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DOCUMENT CONTROL

2007 MAY - 21 A 11: 28

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RE: Docket No. W-03512A-06-0407 *et al*

Honorable Commissioners:

This statement is the approved position of the Pine/Strawberry Water Improvement District (PSWID, aka the District or the Board) which outlines our present course of action, working in cooperation with Brooke Utilities, Inc. (BUI) to develop a dependable source(s) of water.

State of the District

Since its inception in 1996, PSWID has supported and financed exploratory projects and studies to locate dependable sources of water. Most notable were the collaborative Strawberry Borehole Test Project (drilled 2000) and the "Investigation for Groundwater Availability for the PSWID" by Morrison & Maierle, Inc. (August, 2003). The former project found a deep aquifer in the Redwall-Martin Formation in West Strawberry, and after thorough study of the District area, the latter report concluded that the best location for productive wells was also in West Strawberry from the Redwall Limestone. Since that time two deep wells have been drilled by private parties in Pine, the Strawberry Hollow and Milk Ranch wells, both completed in a deep aquifer below the Redwall.

In March 2006, BUI offered PSWID a well drilling opportunity on BUI property, defined as the "K2 Deep Well Site" in East Strawberry. Hydrogeologic evidence indicates the site has good potential for a productive deep aquifer. If the well is successful, an added advantage is that all primary infrastructure is present on this site, including close connection to the Magnolia Pipeline, as well as power and storage facilities. Since the District has accepted BUI's offer, both parties have been working on an agreement to begin the development of this well. In May of 2006, the Commission ordered a total moratorium on any new connections to PWC due to an inadequate water supply from its existing wells. If the K2 Well comes "on-line" with its expected production, we are confident the Commission will adjust the moratorium so that PWC can fulfill demands projected to 2015.

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Direction of the District

By majority vote of the Board, we will continue to cooperate and negotiate with BUI to complete this important agreement. We are all anxious to produce new water after so much effort over 11 years. Of course, this is not the only option for seeking new sources of water, but we want the additional water soon and at reasonable cost to the District's water users. A productive well at the K2 Site will serve PWC first and then also Strawberry Water Company when requested.

We are working with our local utility to search for and develop new water because it is the most cost-effective approach. This includes offers of supplemental water from owners of private wells. An assigned delegate of the Board is investigating these offers, working with the well owners and PWC.

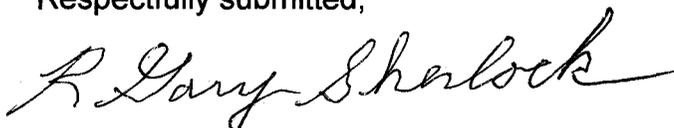
The most recently drilled deep aquifer well, Milk Ranch, has a reported yield of 200 gpm. We would like to work with the Milk Ranch well owners for the benefit of our community, but PSWID is not a purveyor of water and must rely on PWC for the connection.

Recommendation of the District

The PSWID requests that the Arizona Corporation Commission (ACC) not allow further fragmentation of the PWC certificated service area based on four reasons: 1) Fragmentation has the effect of reducing future customers for PWC with the potential for increasing the cost to existing rate-payers; 2) Expected production from the K2 Site Well should satisfy requests for additional water for development in Pine to 2015; 3) Private wells developed within the service area which have supplemental water to offer the District should cooperate with PWC for the connection; and 4) Development should be controlled to conserve and sustain the yield of our deep aquifer.

There is no perfect solution for developing new water, and there are community interests resisting our efforts. However, the Board feels it is presently headed in the right direction by cooperating with BUI to complete an agreement that should result in producing water.

Respectfully submitted,



R. Gary Sherlock
Chairman
Pine/Strawberry Water Improvement District

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2 CERTIFICATE OF SERVICE

3 An attempt to file the attached document was made by R. Gary Sherlock, Chairman for the
4 Pine/Strawberry Water Improvement District via mail. The document was rejected because of
5 insufficient copies and because not all the consolidated docket nos. were included on the letter. At
6 Mr. Sherlock's request and as a courtesy, PWCo is refileing the document with the Commission.
7 Other than affixing labels that contain the appropriate docket numbers, we have not modified the
8 document in any way. This certificate of service is also being included to ensure that all appropriate
9 parties receive a copy.

8 ORIGINAL and seventeen (17) copies of the
9 foregoing filed this 2nd day of May, 2007:

9 Docket Control
10 Arizona Corporation Commission
11 1200 W. Washington St.
12 Phoenix, AZ 85007

12 Copy of the foregoing hand delivered
13 this 2nd day of May, 2007:

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