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May 11th , 2007

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Arizona Corporation Commission
1200 West Washington St.
Phoenix , AZ. 85007

On this 11th Day of May ,2007 I as an intervenor in the case with following docket numbers :

W- 03512A-06-0407
W –03512A-06-0613
W-03512A-07-0100

am hereby filing My SWORN STATEMENT which is attached . I further certify that on this date copies have been mailed to all involved parties to this case.

Robert M. Cassaro

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Arizona Corporation Commission
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Honorable Commissioners , Judge Nodes , and Staff

As a water customer of Pine Water Co.(PWC) , the following information is presented to the ACC dockets of W – 03512A-06-0407 ,W – 03512A-06-0613, and W – 03512A-07-0100. My concerns relate to three issues that should be raised and considered during these hearings :

1) PWC has been allowed for years to be " ALL TALK " and no substantive action in terms of developing new water sources for the certificated area.

2) PWC has indicated within these dockets that they would support a variance to the existing moratoriums , bringing further harm to the current customers.

3) PWC appears to spend more time , effort , and financial resources on Legal fees rather than on development of additional water resources

1.1) "ALL TALK" and Lack of " REAL " water development efforts :

Since Brooke Utilities purchased PWC in 1996 , PWC has spent countless hours and significant dollars in an attempt to convince both ADWR and the ACC that NO WATER existed under Pine , Az. It appears this has been done in an attempt to justify to the ACC that it would be hopeless to spend any funds to explore for additional water supplies in Pine, thereby allowing PWC to " MILK " its current level of investment for a maximum return. In place of developing new water PWC began " HAULING " water by truck from a location approximately 80 miles round trip from Pine. PWC managed to convince the ACC and staff that this was the most economical way to increase the supply AND the ratepayers ended up paying for the hauled water in the form of a " Water Augmentation Surcharge " while at the same time PWC would avoid its own cost of producing water.

Water has been hauled by Truck on an as needed basis for the past several years and the cost of the hauled water is MANY times the cost of locally developed water. By the ACC's own stated policies during the 2004 – 2005 rate hearings , hauling of water is AUTOMATICALLY " Inadequate Service ". The Augmentation Surcharge program approved by the ACC allows periodic poor service (water outages and high stages of conservation) to continue at ZERO cost to PWC , but at a very high cost to the ratepayers , while providing absolutely ZERO incentive for PWC to explore for additional new water supplies.

Significant Water has been discovered under Pine by at least two entities that

Either abut or are within the certificated area :

In 2001 Strawberry Hollow DWID (north part of Pine and previously part of the PWC CC&N) drilled a deep well and conservatively developed FOUR TIMES the water needed for its residents. As of January 2006 , ADWR issued a 100 year adequacy designation for this system on the basis that 40 % of its total water supply could be made available to local Water purveyors (i.e. PWC). This system has the capacity to add approximately 12 – 13 % (which is well above the annual water hauled in recent years) to the Total capacity of the PWC. Strawberry Hollow DWID and PWC have failed to agree on what the cost of this water should be because the cost PWC currently pays ($0.50 per 1000 gallons apparently established approx 10 years ago) would not cover the cost of producing the water, let alone the cost of the well drilling and development cost along with the associated RISK.

In 2005 – 2006 Milk Ranch LLC (Randall / Pugel) drilled a deep well in South Pine that was in the same deep aquifer as the SHDWID well (approx. 400-600 feet deeper than some of the other wells used by PWC). After testing this well for seven days of continuous production in 2006 , it was determined that this Single well could add over 75 % to the capacity of the total PWC system. It Seems this well owner is logically not willing to turn this well over to PWC (in exchange for future service) , thereby submitting themselves to be subjected to the historical poor service , outages ,moratoriums , hauling surcharges etc. that have been associated with PWC.

Besides these two wells in the deeper aquifer , numerous other entities have over the years discovered adequate water in the Pine community. Included is Solitude Trails DWID that annually supplies approx. 14 – 22 % of the total water used by PWC under a water sharing agreement related to two wells owned by STDWID. Pine Creek Canyon (Portals Four) DWID has found adequate water for its 170 Home subdivision , as has Pine Water Association DWID (for over 100 years of Growth)

PWC has consistently told the ACC that it is pursuing new water resources and as recently as Sept. 25 ,2006 at a public meeting before Judge Nodes , PWC / Mr. Hardcastle represented that within a week He would have an agreement with the Pine Strawberry Water Improvement District to drill a deep well at a site near the beginning of the Project Magnolia pipeline , at the time of that statement I was a member of the PSWID Water Development Committee and I can assure You that agreement was no where near ready to happen. That statement led to My voluntary resignation from that committee because I did not want to invest additional time and effort dealing with a disingenuous entity. As of May 1,2007 (eight months after that statement was made) an agreement was signed by both Parties with just about every ESCAPE CLAUSE imaginable in favor of PWC.

In summary, insincere water development activity by PWC that leads to only insignificant progress over many years is unacceptable to the current rate payers, the owners of about 1500 undeveloped lots , and those with moderate size Parcels that are not yet sub-divided . With all other water providers in the area (the four DWID'S finding adequate water) and with the Milk Ranch ,LLC Finding enough water in a single well to solve all the water problems in the area for many years, I believe You as responsible Commissioner's must Immediately require PWC to make the investments and efforts to actually Carry out its responsibilities under its CC&N and to seriously consider allowing those organizations that took the necessary risk (which PWC was not willing to do) to find a significant amount of water to withdraw from the CC&N so they are able to use the water for their requirements.

2.1) My second major concern is that PWC has indicated within these dockets that they would support a variance to the current moratoriums and main line extensions.

Allow no variance to existing moratoriums. If this variance was granted it would further challenge the limited water supply resulting in increased water hauling and increased Water Augmentation Surcharges to all current customers.

3.1) My third major concern is that it appears PWC spends more money on legal fees than on water development.

PWC seems to like spending litigation money to participate in the " FIGHT " at the ACC and to make everyone , including the Commissioners , believe they are " dealing in good faith " related to water development , rather than spending money on real water development or purchasing of new water from those that have the water readily available. The recent exchange of e-mails and legal maneuvering between Mr. Davis / Hill and Mr. Shapiro / Hardcastle and the Commission Legal counsel illustrates the pure frustration of trying to reach even a letter of intent , let alone any sort of definitive agreement with PWC on any matter. I am respectfully requesting the ACC obtain a copy of PWC financial records with the specific intent of comparing the expenditures for legal fees and water exploration efforts.

Conclusions:

For the protection of all the ratepayers , and for the owners of the vacant lots and lands We are discussing here today I challenge the Commissioners and Staff to :

- Remove the excuse of, There is no water to be found under Pine , Az. From the list of excuses allowed by PWC. The Commission , ADWR , and many consumers have all been fooled long enough with this excuse.

- Don't allow PWC have a variance to the moratoriums that results in PWC being allowed to serve additional customers. Please do not let PWC carry out an apparent variance strategy that continues to avoid committing investment dollars they don't want to put at risk or they simply do not have available To operate their Company.

- Take appropriate action to force PWC to spend its money on water development instead of legal fees. It appears that PWC has effectively used a strategy to minimize its " at risk " capital for over ten years and to try to position itself to gradually and effectively shift the burden of water development to the private land owners , so that it may ultimately attempt to carry out its threats to acquire those resources through condemnation. The responsibility for water development belongs to PWC , not the private citizens.

- The Commissions past actions have in effect allowed PWC to severely Limit and effectively take away use of private properties without due compensation to the property owners. This has been wrong and must be stopped.

- Because PWC has not spent " at risk " capital to develop an adequate water supply , those entities that have expended " at risk " capital and have successfully found water should be allowed to withdraw from the CC&N and use the NEW WATER for their benefit. The success of the Strawberry Hollow Development and DWID (all 72 lots sold and a 100 year adequacy for water) is an example and legal precedent for what should occur in the case of the pending matters. The ACC's actions five years ago to let Strawberry Hollow out of the PWC service area (and the Superior Courts confirming rulings) were correct and the Commission should seriously consider following similar action in this case.

Respectfully Submitted May 11, 2007

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Original and fifteen copies of the foregoing mailed this 11th day of May ,2007 to:

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