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Sheila Stoeller

From: Bruce Brammer [bbrammer@activemarketing.com]
Sent: Friday, June 15, 2007 4:57 PM
To: Mayes-WebEmail
Subject: Pine and Strawberry Water Issues

Attachments: The Payson Roundup_Dam of suspicion.pdf; The Payson Roundup_Pine averts Memorial Day water disaster.pdf; ATT1069930.txt



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Kristin,

I have attached two articles from the Payson Roundup.

The first was in today's paper (June 15, 2007) - "Dam of Suspicion"

The meeting probably was as a result of the meeting when you were in Pine and challenged the PSWID to communicate with the people. If it was it did not work. If anything there are now more questions than before.

The presentation was not geared toward the audience. It was way over their head.

The second was printed on May 25, 2007 - Pine averts Memorial Day Water Disaster.

Pine did, but Strawberry did not. A communication from Brooke, which I will fax to you, does not tell the rest of the story. I believe that Strawberry storage and well sites were over pumped to Pine because of the huge water loss as described in this article. It took the water company about two days to discover the leak. Then Strawberry also had an outage the following weekend for 24 hours, that was caused by air getting into the pumps that feed the pressure tank at the k-2 site. I was told that the ACC was notified at 11:00 on Saturday. I know I was out of water at about 5:00 and I plus a number of others called Brooke. They finally sent someone out on Sunday Afternoon and he fixed the problem. A simple fix that could have been done within one to two hours and not caused business and families to be with out water.

I will also be sending you and the rest of the Commissioners a copy of some easement issues that I have with the "Historic Agreement". It seems that Mr. Hardcastle has selective memory for the third time.

Arizona Corporation Commission
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Regards,

Bruce

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Pine, AZ 85544



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Dam of suspicion

Meeting draws crowd after weeks of water shortages in Pine, Strawberry

By **Teresa McQuerrey**, Roundup staff reporter

Friday, June 15, 2007

The board of the Pine Strawberry Water Improvement District and visiting geological and water specialists flooded a packed house Wednesday night with information about a planned new well.

A dam of suspicion from residents expressing their fears met the information and the board's optimism for success.

The board and specialists presented detailed material about an agreement with Pine Water Company, owned by Brooke Utilities and plans to drill a deep well in Strawberry. The well is called K2 and is on property owned by Brooke. K2 borders two of the primary wells currently providing water to Strawberry residents.

"The board members have put their lives on hold to search for water in Strawberry and Pine this past year," PSWID Chair Gary Sherlock told the standing-room-only crowd, as he opened the meeting.

Board member Jim Richey said the PSWID's mission is to locate new sources of water. In the process of developing the agreement, he said the board also had to understand existing water sources and shortages, the area's hydrology and look for solutions.

Reviewing more than 30 water studies, the PSWID narrowed well site selections to seven in 2005. Further investigation into the potential sites and the cost to test them for productivity resulted in the board choosing to pursue development of K2. One other possibility is still being investigated -- drilling a horizontal, deep well.

Richey said the K2 site is the lowest cost solution. It is estimated the site will cost between \$1 million and \$1.3 million to develop. The PSWID is investing \$300,000 to do the testing, with Pine Water Company putting up the balance to develop a well that must produce at least 150 gallons per minute.

The agreement requires the water company to start paying the district back its investment with 6 percent interest over a three-year period, beginning in July 2008.

"There will be no cost to Strawberry clients," said board member Bill Haney. "K2 has the shortest development cycle due to the infrastructure being in place."



Mike Leiby/Roundup

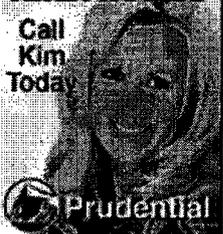
Cindy Maack, owner of Ponderosa Market, asks Jim Richey, PSWID board member, about the possible consequences of effects to Fossil Creek from the proposed deep well in Strawberry.

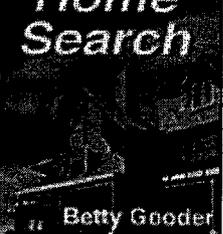
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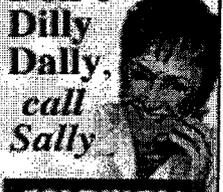
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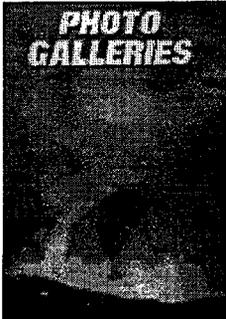
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The fact that the infrastructure is in place and operating wells providing water for Strawberry drew concern over the potential loss of water.

The PSWID board offered assurances that the anticipated location of the new water is much deeper than the existing wells and the technology used in drilling could prevent the "different" water from mixing.

Board member Wes Suhr and specialist Norm Carlson showed several slides indicating the deep well would be far below the existing wells, separated by different geologic layers, including those that are not easily permeable, keeping the water apart. The K2 water is expected to be in the same layer as the water found in the Milk Ranch Well in Pine by Ray Pugel and Robert Randall.



Mike Leiby/Roundup

Jay Click of Advanced Drilling Technology said the equipment is designed to plug any fractures between the drill site and sources of water for the existing wells.

The Pine Strawberry Water Improvement District drew a crowd to its June 13 town meeting.

Another concern expressed by several Strawberry residents was first voiced by Suzanne Alexander, "What does the contract do to protect Strawberry residents?" Another woman asked, "Legally, who is representing the citizens of Strawberry."

It was suggested there would not be a problem for Strawberry if the water was shared 50-50. To that, Richey responded, the residents of Strawberry would have to pay more for the water than Pine users because there would fewer of them to share the cost.

The K2 well would first meet the needs in Pine, explained Suhr. However, if a need developed in Strawberry -- as it did recently -- access to the new water is available.

As for "who is representing Strawberry" -- Richey explained the PSWID boundaries include parts of Strawberry, so the board is representing Strawberry residents, as well as those in Pine.

The agreement between PSWID and the Pine Water Company has been sent to the Arizona Corporation Commission for review. Sherlock said it could take from 180 to 250 days for the ACC to go over the document and give its approval.

Once the ACC approves the arrangement, PSWID will put its \$300,000 in an escrow account. Testing the site will begin in the spring of 2008.

This testing involves an underground survey of magnetic fields and electrical conductivity that will help determine the best place to drill. Once the best drill site has been found, an actual test well will go in. If water is found, independent hydrologists will be hired to establish the well's yielding capacity.

To meet current and projected need, the well must produce at least 150 gallons per minute.

If the K2 site meets or exceeds this production level, the Pine Water Company will then come in and begin development of the formal well.

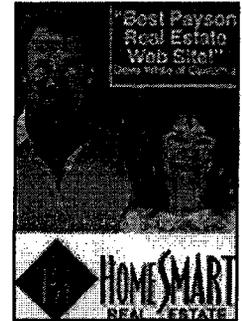
The goal is to have the new well operational between July and September 2008, Haney said.

Jennifer Zimmerman of Pine asked if there would be rate increases due to the new well. "Someone told me we would see our rates go up to \$150 per month," she said.

Richey said any rate increase would have to start with a request to the ACC by Pine Water Company and would be accompanied by a series of hearings in which the company would have to prove the hike was



Mike Leiby/Roundup



necessary because of the capital investment in the development of the well.

Suspicion and doubt clouded many faces in the crowd at Wednesday's town meeting in Pine.

Cindy Maack, owner of Ponderosa Market, asked about interference from the Salt River Project and environmentalists if the new well had an impact on Fossil Creek.

"SRP is not interested in us because they know about our problems," said Haney. "You never know with the environmentalists."

"If nothing is done in 12 to 15 years, Pine will run out of water," Richey said.

Editor's note: This is a letter to Robert Hardcastle dated June 12 from the Arizona Corporation Commission.

Re: Recent increase in the number of outages at Pine Water Company and Strawberry Water Company.

Dear Mr. Hardcastle:

As you know, Pine Water Company and Strawberry Water Company customers have been forced to endure a number of recent outages. While Pine Water Company has a history of outages, and notoriously suffers shortages around the Fourth of July, this recent uptick in the frequency of problems with quality of service at both of these water systems is concerning.

The following outages have been reported to Commission Staff since March 1:

March 1: Pine Water Company
March 6: Strawberry Water Company
March 27: Strawberry Water Company
March 28: Strawberry Water Company
April 2: Pine Water Company
April 10: Strawberry Water Company
April 18: Strawberry Water Company
April 19: Strawberry Water Company
May 8: Pine Water Company
May 18: Pine Water Company
May 19: Pine Water Company
May 21: Pine Water Company
May 22: Pine Water Company
June 11: Pine Water Company

In addition to the outages listed above, as of the writing of this letter, Pine Water Company customers were subject to a Stage 4 curtailment as a result of low water storage levels, a full three weeks before the Fourth of July weekend.

These outages appear to be related at least in part to leaks on the Companies' distribution system. Such leakage is problematic, not only because customers are forced to endure a loss of water service when it happens, but also because it contributes to unaccounted-for water -- or lost water. As I know you are aware, Pine is under an Order by this Commission to keep its water losses below 10 percent.

As Pine Water Company heads into the summer season, I would like assurances that you are doing everything necessary and appropriate to prevent and repair leaks or other causes of the outages that have plagued the Company in recent months. Specifically, please tell the Commission what you believe has caused the apparent increase in the frequency of these outages and what you are doing to address the situation, including



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ONLINE

Pine averts Memorial Day water disaster

Broken water line repaired; customers won't be charged for water hauling

By **Teresa McQuerrey**, Roundup staff reporter

Friday, May 25, 2007

Pine Water Company went to Stage 4 conservation measures this week, after one of its larger lines broke. But, as of press time, the company was back at Stage 2.

"It happened late Saturday night and our guys were right on it," said Myndi Brogdon, spokesperson for Pine Water Company and its owner, Brooke Utilities.

She said they have to abide by OSHA rules, so their guys could only work 16 hours at a stretch.

"But they should be applauded for getting on the ground and replacing an aging section of the system so quickly," Brogdon said.

The water was quickly shut off, so it didn't deplete the system completely.

Brogdon said the section of water pipe that broke was under Highway 87 between the Church of Jesus Christ of Latter-day Saints and Uncle Tom's Kwik Stop. It was installed in the 1980s.

"We've never had a break this big," Brogdon said.

As breaks in the old system have occurred, the company has tried to, not only replace the broken section, but also the lines on either side of the break, she said. "So far, about 60 percent of the system has been replaced."

The break forced the company to begin hauling water by truck on Tuesday, but as of 8 a.m. Thursday, hauling had ceased.

"Because it was a break and not demand, we will not be charging for the hauling we did from Tuesday until Thursday morning," Brogdon said. However, if demand forces the company back to higher conservation stages, requiring hauling to resume, that will be billed.

She urges residents and visitors to use conservation measures during the holiday weekend and the rest of the summer, using bottled water as often as possible.

Brooke Utilities operates a number of small water companies in the Rim Country. Brogdon said its East Verde system is at Stage 4 now, which requires the company to haul water to service its customers.

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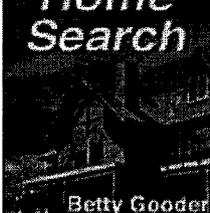
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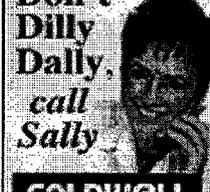
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any planned investment in pipe replacement or the addition of storage capacity at both the Pine and Strawberry Water Companies.

Thank you for your prompt attention to this matter.

Sincerely,

Kris Mayes

Commissioner

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