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Michael J. Harper 18386  
RENSCH WALKER & HARPER, PC  
111 W. Cedar Lane  
Suite C  
Payson, AZ 85541  
(928) 474-0322

Attorneys for Cindy Maack

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION )	
OF PINE WATER COMPANY FOR )	DOCKET NO. W-03512A-07-0362
APPROVAL TO (1) ENCUMBER A PART )	
OF ITS PLANT AND SYSTEM PURSUANT )	<b>OBJECTION TO APPLICATION</b>
TO A.R.S. § 40-285(A); AND (2) ISSUE )	<b>TO ENCUMBER SYSTEM AND</b>
EVIDENCE TO INDEBTEDNESS )	<b>ISSUE EVIDENCE OF</b>
PURSUANT TO A.R.S. § 40-302(A). )	<b>INDEBTEDNESS</b>
_____ )	

Cindy Maack, by and through undersigned counsel, hereby files this objection to the Pine Water Company's Application for Approval to (1) Encumber a Part of its Plant and System Pursuant to A.R.S. § 40-285(A); and (2) Issue Evidence of Indebtedness Pursuant to A.R.S. § 40-285(A).

The Pine Water Company's Application relates to a Joint Well Development Agreement executed by the Pine Water Company and the Pine-Strawberry Water Improvement District dated May 1, 2007 (the "Agreement"). In general terms, the Agreement provides for funding to be issued by the Pine-Strawberry Water Improvement District to the Pine Water Company to facilitate the construction and improvement of a well site in Pine known as the "K-2 Site".

Several portions of the Agreement are of particular relevance for purposes of this objection. The Agreement itself confirms that the Pine Water Company is a public service corporation as defined in Article 15, Section 2 of the Arizona Constitution. (Agreement, p. 1, Recital A; Agreement, p. 11, § 7.2.1.) It estimates that the cost to complete the K-2 well development will range between \$1,000,000.00 and \$1,300,000.00. (Agreement, p. 2, Recital G.) Towards this cost, the Water Improvement District agrees to provide

1 \$300,000.00 in capital. (Id.) The remaining costs of the project would be funded by the Pine  
2 Water Company. (Id.) The \$300,000.00 of “initial funding” for the project provided by the  
3 Water Improvement District is to be deposited in an escrow account with First American  
4 Title, and said funds are then to be available to Pine Water Company upon presentation of  
5 written statements requesting draws. (Agreement, p. 5, § 4.2.1.1; Agreement, p. 6, § 4.2.1.4.)  
6 The repayment of the funds forwarded by the Pine-Strawberry Water Improvement District is  
7 secured by a “Notice of Continuing Security Interest and Lien” to be recorded against the K-  
8 2 Site. (Agreement, p. 6, § 4.2.1.5.) This Lien is to provide “security for the funds”  
9 provided under the Agreement and the Agreement conveys to the Pine-Strawberry Water  
10 Improvement District all rights and remedies of a secured party under the Arizona Uniform  
11 Commercial Code. (Id.) In the event that the project is a success, the funds forwarded by the  
12 Pine-Strawberry Water Improvement District, plus interest at the rate of six percent per  
13 annum, are to be repaid by the Pine Water Company. (Agreement, p. 7, § 4.2.2.) The  
14 Agreement allows the Pine Water Company to prepay without penalty and provides that all  
15 payments made will be applied first to interest, then to principal. (Id.) In sum, the funds  
16 provided by the Pine-Strawberry Water Improvement District under the Agreement amount  
17 to a secured loan designed to assist the Pine Water Company with its proposed development  
18 of the K-2 Site.

19 Article 9, Section 10 of the Arizona Constitution specifically prohibits the  
20 appropriation of public money to aid a public service corporation. It states:

21 “No tax shall be laid or appropriation of public money made in aid of any  
22 church, or private or sectarian school, or any public service corporation.”

23 (Ariz. Const., Art. 9, § 10.)

24 It is beyond dispute that the Pine Water Company is a public service corporation.  
25 (Agreement, p. 1, Recital A; Agreement, p. 11, § 7.2.1.) It is also clear that, pursuant to the  
26 Agreement, the Pine-Strawberry Water Improvement District intends to provide funds to  
27 assist the Pine Water Company with its improvement and development of the K-2 Site. The  
28 Pine-Strawberry Water Improvement District is a political subdivision of the State of

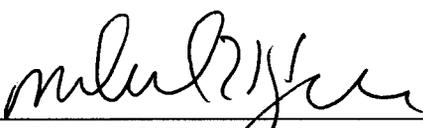
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Arizona created under authority provided under Arizona statute and, of course, is funded with public monies. As such, the Joint Well Development Agreement violates the Arizona Constitution because it provides for the appropriation of public money to aid a public service corporation.

Based upon the foregoing, it is respectfully requested that the Corporation Commission reject the Pine Water Company's Application in this matter.

DATED this 2 day of August, 2007.

RENSCH WALKER & HARPER, PC

  
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By Michael J. Harper  
Attorneys for Cindy Maack

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Original and 13 copies of the foregoing mailed this 2 day of August, 2007 to:

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

And copies mailed on the same date to:

Jay L. Shapiro  
FENNEMORE CRAIG, PC  
3003 N. Central Ave.  
Suite 2600  
Phoenix, AZ 85012  
Attorneys for the Pine Water Company

William P. Sullivan  
CURTIS, GOODWIN, SULLIVAN  
UDALL & SCHWAB, PLC  
501 E. Thomas Road  
Phoenix, AZ 85012-3205  
Attorneys for the Pine-Strawberry Water Improvement District

