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8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **RAYMOND R. PUGEL AND JULIE B.**
10 **PUGEL, husband and wife as trustees of THE**
11 **RAYMOND R. PUGEL and JULIE B. PUGEL**
12 **FAMILY TRUST,**
13 **and**
14 **ROBERT RANDALL and SALLY RANDALL,**
15 **husband and wife**
16 **Complainants,**
17 **v.**
18 **PINE WATER COMPANY, an Arizona**
19 **Corporation**
20 **Respondent..**

21 **ASSET TRUST MANAGEMENT, CORP.**
22 **Complainants,**
23 **v.**
24 **PINE WATER COMPANY, an Arizona**
25 **Corporation**
26 **Respondent.**

27 **JAMES HILL and SIOUX HILL, husband and**
28 **wife and as trustees of THE HILL FAMILY**
29 **TRUST,**
30 **Complainants,**
31 **v.**
32 **PINE WATER COMPANY, an Arizona**
33 **Corporation**
34 **Respondent.**

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EXHIBIT A

Rebuttal Testimony

Of

Loren Peterson

1
2 **TESTIMONY OF LOREN PETERSON**
3

4 Question: State your name

5 Answer: Loren Peterson
6

7 Q: Where do you reside?

8 A: Strawberry Hollow, Arizona
9

10 Q: Are you involved in the SH3 well located in Strawberry Hollow?

11 A: Yes, I am a manager of SH3 LLC which owns the well
12

13 Q: Have you ever entered into negotiations with Pine Water Company or Mr. Robert Hardcastle
14 regarding purchasing water from the SH3 well?

15 A: Yes
16

17 Q: Are you familiar with the testimony which Mr. Hardcastle has given concerning the SH 3 well and
18 the negotiations with you in this matter before the Arizona Corporation Commission?

19 A: Yes, I have been in attendance at a number of the hearings and have reviewed the testimony of Mr.
20 Hardcastle, more particularly those statements set forth in the following places:
21

Volume	Page(s)	Lines	Statements
V	988	5-8	Q. In your view, Mr. Hardcastle, why did the negotiations to purchase water from SH3 end? A. Well, the negotiations ended because Mr. Peterson called the negotiations off
VI	1353	22-25	Q. And the possibility of purchasing water

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Volume	Page(s)	Lines	Statements
			<p>from the Peterson well, that fell apart because those negotiations ended, correct?</p> <p>A. Mr. Peterson ended those negotiations.</p>
VI	1354	1-22	<p>Q. And you don't feel that you had any participation in the termination of those negotiations?</p> <p>A. Well, I certainly, I certainly participated in the negotiations. I was not the decision maker in terminating the negotiations.</p> <p>Q. And if the opportunity presented itself to reopen those negotiations, would you pursue that?</p> <p>A. Yes.</p> <p>Q. Have you approached Mr. Peterson and indicated that to him?</p> <p>A. Not formally, no.</p> <p>Q. Informally?</p> <p>A. Mr. Peterson and I have just had very</p>

Volume	Page(s)	Lines	Statements
			<p data-bbox="604 278 1521 544">brief discussions. And, frankly, we have usually had pretty reasonable business discussions. So I certainly entertain that possibility if Mr. Pugel had some interest in that.</p> <p data-bbox="604 634 1521 842">Q. But at the point where he indicated to you he was no longer interested in pursuing the negotiations, you just shut off that avenue and pursued it no further?</p> <p data-bbox="604 868 1521 959">A. I think Mr. Peterson's decision implied to me in that regard was pretty emphatic.</p>
VII	1478 1480	1- 22	<p data-bbox="819 1049 1161 1076">1 BY MR. GLIEGE:</p> <p data-bbox="604 1166 1521 1315">Q. As of today, is Pine Water still interested in the possibility of obtaining water from the SH3 Well?</p> <p data-bbox="604 1347 1521 1730">A. Mr. Gliege, I believe you asked me that question this morning. And I think I responded that if Mr. Peterson had a change of heart and he had some interest in an interconnection agreement that was good for him and good for us, would we be interested in talking with him. I think I replied yes.</p> <p data-bbox="604 1815 1521 1847">Q. And if Mr. Peterson proposed another</p>

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<u>Volume</u>	<u>Page(s)</u>	<u>Lines</u>	<u>Statements</u>
			agreement as he previously did, would you be interested in acquiring water from him?
			A. Well, clearly obviously it depends on what the agreement provided for.
			Q. Okay. Is it the preference of Pine Water Company to dictate the terms and conditions under which it acquires water?
			A. No.
		
			A. Mr. Gliege, we proposed a water sharing agreement to Mr. Peterson.
			Q. And that was rejected, was it not?
			A. It was.
			Q. And you don't know why?
			A. Well, Mr. Peterson outlined a lot of issues and a lot of problems he had with the agreement. And he expressed a very clear interest that he wasn't interested in entering into such an agreement.
			Q. And once he did that you stopped all progress on this?
			A. I think you asked me that question as well before, and I think I indicated no. I

Volume	Page(s)	Lines	Statements
			<p>think we had some ongoing subsequent discussion, despite the fact that we, we shared a, we shared a concern over each other's agreements.</p> <p>Q. So the problem appears to be one in the formulation of an appropriate agreement between Pine Water Company and SH3?</p> <p>A. Mr. Gliege, I don't know that. I don't know that that is the case. I know that Mr. Peterson called off the agreement. He terminated the negotiations and expressed a very clear desire that he did not want to proceed. Now, exactly why he did not want to do that, that's up to him.</p>
VIII	1589	1-3	<p>Q. And what was Mr. Peterson's stated reason?</p> <p>A. He indicated that I seem to be disinterested in selling the water companies.</p>
VIII	1690 1691	19- 10	<p>19 Q. Okay. Earlier you testified that you and Mr. Peterson attempted to negotiate the sale of water from the SH3 Well, correct?</p> <p>A. That's correct.</p> <p>Q. And those negotiations stopped?</p> <p>A. That's correct.</p> <p>Q. Was there a disagreement over the form of agreement to be used to acquire water from the SH3 Well?</p>

Volume	Page(s)	Lines	Statements
			<p>A. Well, we, both parties disagreed with the other parties' agreement proposal. And I thought at that time we were working towards a subsequent third agreement draft that we would hopefully be able to ultimately agree to.</p>
			<p>Q. But that didn't happen when the negotiations ceased?</p>
			<p>A. No. Mr. Peterson called those off before that</p>

11 Q: Do you agree with Mr. Hardcastle's Testimony?

12 A: No

14 Q: In what respect is Mr. Hardcastle's testimony not correct?

15 A: A substantial portion of Mr. Hardcastle's testimony is biased and does not clearly represent what
 16 happened. There are a number of issues being raised:

- 17 1. That Loren Peterson terminated the negotiations for some unknown reason.
- 18 2. That Loren Peterson terminated the negotiations because Hardcastle would not sell the water
 19 companies.
- 20 3. That the parties proposed different agreements and that they were working on coming
 21 together.

22 In addressing these issues I have to say that:

- 23 1. The negotiations were terminated for the following reasons:
 - 24 a. Mr. Hardcastle was not willing to participate in negotiations, instead informing me
 25 that we had to use his form of Water Sharing Agreement. I had proposed an
 26 Agreement and he essentially modified it to be like his proposed agreements.
 - 27 b. During the time the negotiations were underway Pine Water Company acquired
 28 materials and began to construct the connection, trespassing on the property of the
 29 SH3 well without our knowledge and consent.
2. The negotiations regarding the purchase of water from the SH3 well were not terminated
 because Mr. Hardcastle would not sell the water companies.
3. The parties did propose different agreements, however, Pine Water Company was not willing
 to negotiate changes in its standard form of agreement

1 Essentially Mr. Hardcastle and Pine Water Company were trying to bully us into an agreement by
2 forcing their version of the agreement upon us and constructing the connection. We were concerned that
3 Pine Water Company would tap into the SH3 well water lines without our knowledge or consent and
4 that such action on their part would work to our disadvantage, so we terminated the negotiations with
5 Pine Water Company to protect our private property interests and to prevent anymore unauthorized
6 activities on our land or affecting the SH3 well.

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8 Q: Does this conclude your testimony?

9 A: Yes it does.
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