BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
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AZ Corporation Commission
Director Of Utilities

COMMISSIONERS

JEFF HATCH-MILLER Chairman
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KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF PINE WATER COMPANY FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, A RATE INCREASE AND FOR APPROVAL TO INCUR LONG-TERM DEBT.

DOCKET NO. W-03512A-03-0279

DECISION NO. 67823

SUPPLEMENTAL OPINION AND ORDER ON NEW SERVICE CONNECTION MORATORIUM

DATES OF HEARING: January 31, 2005 (Public Comment, Pine, Arizona); February 14 and 25, 2005

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Dwight D. Nodes

IN ATTENDANCE: William A. Mundell, Commissioner
Mike Gleason, Commissioner
Kristin K. Mayes, Commissioner

APPEARANCES: Mr. Jay Shapiro, FENNEMORE CRAIG, P.C., on behalf of Pine Water Company;

Mr. Robert M. Cassaro, in propria persona;

Mr. John O. Breninger, in propria persona; and

Mr. Jason Gellman, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

By Decision No. 67166, (August 10, 2004) the Arizona Corporation Commission ("Commission") granted Pine Water Company ("Pine Water" or "Company") a permanent revenue increase of approximately 11.8 percent pursuant to a settlement agreement entered into by Pine Water, the Commission's Utilities Division Staff ("Staff"), and other intervenors[1]. Decision No.

[1] The other signatory intervenors were the Strawberry Hollow Domestic Water Improvement District ("District") and Mr. John Breninger. The only other intervenor, Mr. Robert Cassaro, did not sign the settlement agreement. The District withdrew its intervention in this subsequent phase of the proceeding.

67166 also directed Staff to prepare a Staff Report within three months addressing the issue of whether a moratorium on new water hook-ups should be reinstituted for Pine Water. Pine Water is currently subject to a limited moratorium pursuant to Decision No. 65435 (December 9, 2002), whereby the Company is limited to a maximum of 25 new service connections per month[2].

On November 19, 2004, Staff issued its Staff Report in accordance with Decision No. 67166. Staff recommended that Pine Water be prohibited from connecting any new customers due to Staff's determination that inadequate sources of water are available to serve additional customers. Staff also raised issues with respect to Pine Water's compliance with Arizona Department of Environmental Quality ("ADEQ") regulations.

A Procedural Order was issued on November 23, 2004 scheduling a procedural conference for December 1, 2004. The procedural conference was held as scheduled.

On December 2, 2004, a Procedural Order was issued scheduling a hearing for February 14, 2005, directing the Company to publish notice of the hearing, and establishing other filing dates.

Pine Water's president, Robert Hardcastle filed Direct testimony on January 18, 2005.

On January 21, 2005, a Procedural Order was issued scheduling a public comment hearing for January 31, 2005 in Pine, Arizona. Pine Water was also directed to notify customers of the public comment hearing by newspaper publication and other means. The public comment hearing was conducted in Pine, as scheduled, on January 31, 2005.

On February 1, 2005, Staff engineer Marlin Scott filed Rebuttal testimony in support of Staff's recommendations.

On February 8, 2005, Mr. Hardcastle filed Surrebuttal testimony.

The evidentiary hearing commenced on February 14, 2005 and continued on February 25, 2005.

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Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

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[2] The 25 service connection per month limit was originally established in Decision No. 64400 (January 31, 2002). Decision No. 65435 clarified that the 25 connection per month limit applies to the entirety of Pine Water's certificated service area.

FINDINGS OF FACT

1. Pine Water provides domestic water utility service to approximately 2,000 customers in the Pine, Arizona area. Pine Water is owned by Brooke Utilities, Inc. ("Brooke Utilities") which, along with its sister company, Brooke Water, LLC, own and operate 26 water systems serving a total of approximately 8,000 customers in Arizona.

2. The territory served by Pine Water is subject to water shortages, where ground water is the primary source of water. Groundwater in the Pine area typically flows through scattered rock fractures and is heavily dependent on replenishment from rain and snow melt. As a result, Pine Water's service area is susceptible to shortages in dry years, especially during summer months when demand is highest.

3. The Pine Water system and its predecessors have been subject to new service connection limits for a number of years. In 1989, due to historical water shortages in and around the Pine area, the Commission ordered various moratoria on new service connections and main extensions in the area previously served by E&R Water Company, Inc. ("E&R") and Williamson Waterworks, Inc. ("Williamson").

4. In Decision No. 56539 (July 12, 1989), the Commission determined that new service connections should be curtailed in E&R's service area due, in part, to a drought in the region and lowering of the water table. In Decision No. 56654 (October 6, 1989), the Commission reaffirmed the moratorium and also prohibited additional main extensions. The Commission directed that the moratorium should remain in place until such time as E&R could demonstrate an ability to increase water supplies by implementing conservation measures and by obtaining additional water resources.

5. In Decision No. 57047 (August 22, 1990), the Commission approved a modification to the new service connection limit, allowing ten new connections per month under certain conditions. However, in Decision No. 59753 (July 18, 1996), the Commission revised the moratorium, limiting E&R to one single family residential connection per month on a first come first served basis. The complete moratorium on new main extensions was reaffirmed in that Decision (Decision No. 59753, at 12).

6. In August 1996, Brooke Utilities acquired E&R and Williamson and subsequently

reorganized seven separate water companies and systems into five subsidiaries, including Pine Water and Strawberry Water Company ("Strawberry"). The reorganization was approved by the Commission in Decision No. 60972 (June 19, 1998). The Pine Water system remained subject to the one connection per month limit and by 2001 the waiting list for new connections had grown to 243 customers.

7. In September 2001, Pine Water filed an application seeking to increase the new service connection limit to 25 per month. The Commission granted the Company's modification request in Decision No. 64400 (January 31, 2002)[3] based on Brooke Utilities' representations that it had made significant improvements to the Pine Water system that would enable the Company to provide adequate water service to new customers. Foremost on the list of improvements was Project Magnolia, a pipeline interconnecting the Pine Water and Strawberry systems that is capable of moving up to 700,000 gallons of water per day. The Company also claimed that water resources had been enhanced as a result of repairs to system infrastructure, drilling of new wells in both Pine and Strawberry, and construction of new storage capacity for both systems. *See*, Decision No. 64400, at 3-4.

8. As indicated above, in Decision No. 67166 (August 10, 2004) the Commission kept the above-captioned docket open for the purpose of investigating whether a complete moratorium on new service connections should be implemented for the Pine Water system. Staff filed its Staff Report on November 19, 2004 recommending that "no new service connections be added to the Pine Water system at this time" based on Staff's conclusion that insufficient quantities of water are available for Pine Water to adequately serve its customers.

9. According to the Staff Report and Mr. Scott's testimony, Staff determined that Pine Water's 19 well production sources are capable of serving a maximum of 555 average water customers, based on Staff's analysis of customer usage from August 2002 to July 2004 (Ex. S-2, at 2)[4]. Mr. Scott testified that Staff considered the availability of water from the Strawberry system

[3] As amended by Decision No. 65435 (December 9, 2002) for purposes of clarification.

[4] To reach its conclusion, Staff evaluated the Company's Water Use Data Sheets for the peak month of June 2003 (6,400,669 gallons) and divided the usage by 30 days and the actual water users during the month (1,752) to obtain a result of 121.78 gallons per day ("GPD") per user. This result was multiplied by a factor of 2.0 (due to the lack of peak day water use data) to determine a value of 243.56 GPD per user, which equated to a value of 0.17 gallons per minute

through Project Magnolia, but concluded that Strawberry's 8 wells can produce less than 110 GPM which, at continuous use at half capacity, would quickly be detrimental to water service in Strawberry. Staff considers the Company's only other source of water, hauling water by truck, to be an emergency measure that should not be considered for purposes of determining resource availability (*Id.* at 3).

10. Through his testimony, Mr. Hardcastle agrees that Pine Water faces ongoing water supply issues. However, he contends that adoption of Staff's recommendation will exacerbate the situation if a similar limit on new connections is not also imposed on Gila County (Ex. P-1, at 2; Ex. P-2, at 3). Mr. Hardcastle testified that a total moratorium for Pine Water will lead to other customers outside the Commission's jurisdiction using the same water supplies currently used by Pine Water. Mr. Hardcastle cites to the existence of a number of water districts that are not subject to limits on connecting new customers and ongoing efforts by Gila County to develop the Pine/Strawberry area despite the lack of adequate sources of water (Ex. P-1, at 3-5). He claims that the Staff Report fails to recognize that a moratorium on Pine Water will not improve the water supply situation because the County and developers will continue to circumvent the Commission's jurisdiction by forming districts (*Id.* at 6).

11. The Company also contends that Staff's analysis does not take into account the limited short-term nature of Pine Water's peak demand. As described above, Staff determined that Pine Water's current water resources were capable of serving a maximum of 555 customers based on usage data averaged over the June 2003 peak month. Despite Staff's calculation, Mr. Hardcastle stated that Pine Water has been able to serve its entire base of nearly 2,000 active customer accounts for several years by pumping water through the Project Magnolia pipeline and, when necessary, by hauling water into the system. The Company claims that these measures are generally necessary only to meet demand during summer weekends, especially holiday weekends.

12. At the January 31, 2005 public comment hearing in Pine, and at the beginning of the evidentiary hearing, a number of Pine Water customers offered comments regarding the proposed

("GPM") per user. Staff then divided the Company's available well production sources of 93.88 by 0.17 GPM per user to reach its conclusion that Pine Water is capable of serving only 555 service connections during peak months (*Id.* at 2-3).

moratorium on new connections. Among the public comment witnesses was Harry Jones, who read into the record a letter written by District 1 Supervisor for Gila County, Ms. Tommie Cline Martin (Tr. 32-37). Supervisor Martin's letter raised a number of issues related to the proposed moratorium and advocated using a cooperative approach between various stakeholders[5] to attempt to develop a long-term regional solution to the long-standing water shortage issues in northern Gila County. In her letter, Supervisor Martin requested that the Commission limit Pine Water's new service connection limit to two per month, for the next six months, in order to allow time for her to get up to speed and assist in developing a solution for the water issues facing Gila County.

13. Although Pine Water opposes reducing the current 25 new meters per month limit, Mr. Hardcastle testified that the Company was not opposed to Supervisor Martin's proposed two meter per month limit as an interim measure (Tr. 193-194; 361). As a practical matter, the two connections per month limitation would not cause an adverse effect on Pine Water's operations because the Company added a total of only 22 new customers in 2004 (Tr. 194).

14. Staff continues to recommend that a total moratorium on new connections should be imposed due to the lack of available water resources to Pine Water. However, at the hearing, Staff witness Steve Olea testified that it may be appropriate to phase-in the moratorium along the lines suggested in Supervisor Martin's letter (Tr. 316).

Blue Ridge Reservoir

15. During public comments and the evidentiary hearing, the possibility that Pine Water could obtain water from the Blue Ridge Reservoir was a frequent topic for discussion. The Blue Ridge Reservoir is a water reservoir located approximately 25 miles north of Pine in Coconino County, near an area called Clint's Well. Mr. Hardcastle stated that the water rights to the reservoir were formerly owned by Phelps Dodge but, through a recent transaction, the Phelps Dodge water rights will be transferred ultimately to the Bureau of Reclamation. According to Mr. Hardcastle, the agreement provides that up to 3,500 acre feet per year of water from the Blue Ridge Reservoir would be available for Gila County, of which the first 3,000 acre feet would be allocated to the City of

[5] Supervisor Martin stated that she intends to bring together representatives of Pine Water, various area water districts, Gila County staff members, real estate developers, landowners, and other interested citizens.

Payson, and the other 500 acre feet, subject to availability, would be allocated to northern Gila County, including the Pine-Strawberry area (Tr. 108). Mr. Hardcastle testified that preliminary estimates of the cost of constructing pipelines to access the Blue Ridge water are $30 million to $40 million for Payson and $10 million to $15 million for the Pine area. Due to the projected cost of building such a pipeline, with no assurance that water would be available within any given year, Mr. Hardcastle stated that a Blue Ridge Reservoir project as a source of water for Pine Water "just doesn't seem to make a lot of sense" (Tr. 111).

Additional Storage

16. Another potential solution raised at the hearing was the issue of whether it would be feasible for Pine Water to build additional storage facilities. The possibilities of mining water during winter months for use in the summer, as well as the use of additional storage to mitigate summer weekend peaks, were discussed by various customers. Pine Water currently has approximately 900,000 gallons of storage capacity. Mr. Hardcastle testified that adding an additional 1 million gallons of storage would cost approximately $1 million. In response to questions regarding the storage issue, Mr. Hardcastle testified that there is likely not a sufficient incremental amount of production capacity available during off-peak periods that would enable the Company to build up sufficient storage capacity to avert weekend peak shortages. With respect to winter storage, Mr. Hardcastle claims that it is unclear whether "over-mining" in winter months would have a detrimental effect on the fragile sources available during summer months (Tr. 129-130). He stated that three or four years ago the Company explored building a large above-ground storage reservoir but determined that such a facility was not economically feasible. According to Mr. Hardcastle, the cost of a 25 million gallon winter storage reservoir would range from $750,000 up to $7 million depending on a number of factors, including the size and location of the property used; water treatment costs; cost of a delivery system to the reservoir; and whether the facility was lined and what type of lining is used (*e.g.*, unlined, concrete lined, balloon storage vessel) (Tr. 130-133).

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Additional Wells

17. During public comments, Mr. Thomas Filesi claimed that various residents of the Portals III community, where he is a part-time resident, have successfully drilled wells with production of approximately 30 to 35 GPM (Tr. 21). Mr. Filesi contends that the success in finding water in Portals III undermines the Company's claim that additional sources of water are not available in the Pine area. At the hearing, Commissioner Mundell requested that Mr. Filesi provide evidence substantiating his claims. No additional documentation was received in the record on this issue and Pine Water maintains that it has repeatedly been unsuccessful in drilling wells in both the Pine and Strawberry areas (Tr. 143-144).

New Improvement Districts

18. At the hearing, Staff introduced a letter dated April 22, 2003 from ADEQ to Loren Peterson of an improvement district called Strawberry Hollow informing Mr. Peterson that although Strawberry Hollow had previously been issued an Approval to Construct ("ATC") and an Approval of Construction ("AOC"), Strawberry Hollow "does not meet the requirements to begin operating pursuant to R18-4-602.B of the Arizona Administrative Code ("A.A.C.")." The letter advised Strawberry Hollow that it does not have a 100-year drinking water certification from the Arizona Department of Water Resources ("ADWR"), and therefore could not operate as a regulated public water system. The letter also indicated that Strawberry Hollow does not meet the requirements of a "community water system" which limits service to a "public water system that serves 15 or more service connections used by year-round residents or that serves 25 or more year-round residents" (Ex. S-3; Tr. 316, 322-323). Staff raised this point to suggest that it is not likely that a significant number of new districts will be formed in the near future. According to Staff, Pine Water's concerns about the formation of new improvement districts are mitigated by the difficulty improvement districts would have in meeting the 100-year supply criteria needed to qualify as a public water system (Tr. 262-264).

Other requested data

19. Commissioner Mundell requested Pine Water to provide the name of the land owner and parcel number of property for which Pine Water previously had entered into an agreement to drill

a well. According to Mr. Hardcastle, the property was subsequently sold and the new owner is not interested in permitting access to the Company. Mr. Hardcastle did not believe there was an assignment to the new owner of the Company's right to drill a well on the property (Tr. 215). In response to Commissioner Mundell's request, Pine Water submitted a late-filed exhibit on March 15, 2005 and attached the previous owners' recorded deed as well as a map of the subject property (Late-Filed Exhibit A). However, the exhibit did not include documentation showing whether there was an assignment of Pine Water's right to access the property for purposes of drilling a well.

20. During the hearing, Mr. Hardcastle conceded that there is an emergency situation generally with respect to the water supply in the Pine-Strawberry area. However, he disagreed that Staff's proposed moratorium on Pine Water was an appropriate remedy and indicated that the Company would not face a real crisis in its ability to serve customers for another six to eight years (Tr. 218-220). Commissioner Mayes requested that the Company provide internal projections that support its claim that no crisis would exist for a 6-8 year period at current growth levels and Mr. Hardcastle agreed to provide that information (Tr. 220-221). In its March 15, 2005 late-filed exhibit, the Company submitted an analysis performed in 2001 that appears to be a projection of customer growth and capacity requirements over a number of years (Late-Filed Exhibit B).

21. Commissioner Mayes also requested that the Company provide actual water loss data for 2004 to support its claim that the annualized water loss rate is 10 percent (Tr. 223). In its March 15, 2005 late-filed exhibit, the Company attached its water use data for 2004 and calculated a water loss rate of 10.54 percent (Late-Filed Exhibit C).

ADEQ Compliance Issues

22. In the Staff Report, Staff cited several deficiencies it had discovered with respect to the interconnected Pine Water-Strawberry Water system's compliance with ADEQ requirements. Staff indicated that Pine Water was deficient in the following respects: failure to submit an accurate drawing of the system pursuant to a Consent Order between ADEQ and E&R Water; existence of a Notice of Violation ("NOV") for operating two wells (the Blooms and Weeks wells) without an ATC or AOC and failure to properly maintain certain specified facilities; NOV for the interconnected

Strawberry system for failure to provide a consumer confidence report[6]; and an ADEQ report of approximately 20 plant facility deficiencies that need to be corrected (Ex. S-1, at 2). In its March 17, 2005 late-filed exhibit, Staff attached an ADEQ Drinking Water Compliance Status Report for the Pine system which indicates that the system "is currently delivering water that meets water quality standards...."

23. In his Direct testimony, Mr. Hardcastle testified that Pine Water was not aware of the 1994 Consent Order between ADEQ and E&R Water when Brooke Utilities acquired E&R. He stated that preparation of an as-built set of engineering drawings, that was agreed to be produced by E&R as part of the Consent Order, would likely cost the Company in excess of $100,000. Mr. Hardcastle stated that such an expenditure of funds would not be a prudent investment given the ongoing water supply issues facing Pine Water. He said the Company would attempt to resolve the issue with ADEQ (Ex. A-1, at 9).

24. With respect to the Blooms and Weeks wells, Mr. Hardcastle indicated that Brooke Utilities owns and operates the wells pursuant to water sharing agreements with the owners of the land where the wells are located. He stated that when the wells were drilled in 1998, Brooke Utilities did not believe that an ATC or AOC were required because the cost of each well was under $50,000. Mr. Hardcastle testified that the other deficiencies associated with those wells are being promptly addressed by the Company (*Id.* at 10-11).

25. Regarding the other plant facility deficiencies identified by ADEQ, Mr. Hardcastle testified that Pine Water has not been found in violation with respect to those items and ADEQ has not set forth any obligations or timelines for repair of the deficiencies. He stated the Company is in the process of replacing three concrete well slabs and fences around the well sites, and he expects that all of the deficiencies "will be corrected promptly and certainly by the next regularly scheduled field inspection" (*Id.* at 11).

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[6] The Company attached to Mr. Hardcastle's testimony a letter from ADEQ, dated January 12, 2005, stating that ADEQ had closed the NOV because the Company had previously sent the required documentation (Ex. P-1, at 8-9; Ex. A).

Conclusion

26. We believe it is appropriate to place a two new residential meters per month limit on Pine Water on an interim basis as a means of enabling all affected stakeholders to discuss possible long-term solutions to the chronic water shortage issues that have plagued the Pine area for a number of years. However, a total moratorium on main extension agreements and commercial connections shall continue to be in effect in order to mitigate the potential detrimental effects associated with adding a significant number of customers and/or high volume users.

27. We expect representatives of Pine Water and the Commission's Staff to be actively involved in analyzing and discussing all feasible long-term permanent[7] solutions to the water shortage issues in Pine. Consideration should be given to, at a minimum, the following: growth limits on Gila County development outside the Pine Water service area; additional well sources; additional storage capacity; Blue Ridge Reservoir pipeline; CAP water trade with Salt River Project ("SRP") for Fossil Creek water; deep drilling in the Coconino sandstone; and any other permanent solutions that may be suggested or developed by the stakeholders and government entities. Such discussions should attempt to include representatives of all affected entities and stakeholders, including ADEQ, ADWR, SRP, Payson, Pine-Strawberry Water Improvement District ("PSWID") and Gila County. The participation of Gila County in this effort is especially critical because restrictions placed exclusively on Pine Water will not resolve the long-standing chronic water shortage issues faced in northern Gila County.

28. Staff and the Company should submit jointly or separately, by no later than October 31, 2005, a report with recommendations regarding specific long-term solutions to the Pine Water shortage issues. We also direct the parties to work with Gila County Supervisor Martin, and other county officials, to ensure that Gila County's input is received and considered in any recommendations that are proposed in the forthcoming analysis and report.

29. The two new residential connections per month limit for Pine Water shall be

[7] Staff witness Steve Olea defined a "permanent" solution as a "permanent, continuous source of water that can adequately supply not only the existing customers, but growth" (Tr. 309).

implemented on a first-come, first-served basis, with no carryover from month-to-month[8], and shall remain in effect until further Order of the Commission.

30. Regarding the compliance issues raised by Staff, it appears from Staff's latest filing that Pine Water is currently in compliance with ADEQ drinking water requirements and, as such, there do not appear to be any immediate health and safety issues raised by Pine Water's ongoing operations. However, there are several matters identified by Staff that require Pine Water's attention and we will therefore direct the Company to immediately contact ADEQ in order to resolve the issues discussed above. Specifically, Pine Water shall seek to resolve the need for as-built engineering drawings; the existing NOV for the Blooms and Weeks wells; and repair of any outstanding plant facilities deficiencies. Pine Water shall file within 90 days of the effective date of this Decision a report discussing how these matters have been resolved and what efforts the Company has taken to ensure that similar deficiencies are not likely to reoccur.

CONCLUSIONS OF LAW

1. Pine Water is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-201, 40-203, and 40-252.

2. The Commission has jurisdiction over the Company and of the subject matter of the application.

3. Modification of the 25 new service connections per month previously imposed on Pine Water pursuant to Decision No. 64400, as modified by Decision No. 65435, is reasonable and in the public interest.

4. Staff's recommendation for a complete moratorium on new connections should be modified to allow up to two new residential service connections per month, on a first-come, first-served basis, with no carryover from month-to-month.

ORDER

IT IS THEREFORE ORDERED that the modification proposed in this Decision of the 25

[8] The prohibition against a month-to-month carryover will limit Pine Water to connecting no more than two new customers in any given month, and may require the Company to develop a waiting list to ensure that new connections are established on a first-come, first-served basis. The "no carryover" policy is currently in effect for the 25 connections per month limit pursuant to Decision No. 64400 (January 31, 2002).

new service connections per month previously imposed on Pine Water Company pursuant to Decision No. 64400, as modified by Decision No. 65435, is reasonable and in the public interest.

IT IS FURTHER ORDERED that Pine Water Company shall be limited to two new residential service connections per month, implemented on a first-come, first-served basis, with no carryover from month-to-month, and such limitation shall remain in effect until further Order of the Commission or until April 30, 2006, whichever comes first.

IT IS FURTHER ORDERED that if by April 30, 2006, a permanent solution to Pine Water Company's water shortage issues is not established or if the Commission has not issued a further Order to the contrary, a total moratorium on any new connections to Pine Water Company shall become effective on May 1, 2006.

IT IS FURTHER ORDERED that all conditions placed on the installation of meters that have been contained in previous Commission Decisions for Pine Water Company shall remain in effect during this modified moratorium.

IT IS FURTHER ORDERED that a total moratorium on main extension agreements and commercial connections shall continue to be in effect in order to mitigate the potential detrimental effects associated with adding a significant number of customers and/or high volume users.

IT IS FURTHER ORDERED that representatives of Pine Water Company shall commence an analysis and discussions with all affected entities and stakeholders, including Staff, ADEQ, ADWR, SRP, Payson, PSWID and Gila County, in order to develop a long-term permanent solution to the chronic water shortage issues in the Pine, Arizona area.

IT IS FURTHER ORDERED that, in the analysis and discussions undertaken by the participating entities, consideration should be given to, at a minimum, the following: growth limits on Gila County development outside the Pine Water service area; additional well sources; additional storage capacity; Blue Ridge Reservoir pipeline; CAP water trade with SRP for Fossil Creek water; deep drilling in the Coconino sandstone; and any other permanent solutions that may be suggested or developed by the stakeholders and government entities.

IT IS FURTHER ORDERED that Pine Water Company and Staff shall submit jointly or separately, by no later than October 31, 2005, a report with recommendations regarding specific long-

term solutions to the Pine Water shortage issues.

IT IS FURTHER ORDERED that Pine Water Company shall immediately contact ADEQ in order to resolve issues related to: the need for as-built engineering drawings; the existing NOV for the Blooms and Weeks wells; and repair of any outstanding plant facility deficiencies.

IT IS FURTHER ORDERED that Pine Water Company shall file within 90 days of the effective date of this Decision a report discussing how these ADEQ matters have been resolved and what efforts the Company has taken to ensure that similar deficiencies are not likely to reoccur.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 5th day of May, 2005.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____

DISSENT _____

DDN:mj

SERVICE LIST FOR: PINE WATER COMPANY

DOCKET NO.: W-03512A-03-0279

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