

OPEN LETTER RESPONSE OF BROOKE UTILITIES TO RIM COUNTRY WATER

On behalf of Brooke Utilities, Pine Water Company and Strawberry Water Company, this letter is written in response to the recently published "Open Letter". We are compelled to submit this response to correct the numerous factual errors and misstatements contained in that open letter.

The open letter is a transparent attempt to bring political and public pressure against Pine Water Company and Strawberry Water Company in the hopes of forcing those companies to accept the recent purchase offer presented by the Pine-Strawberry Water Improvement District ("District"). We will not engage in a public debate over the possible acquisition of these companies. Nor we will engage in the type of political mud-slinging and attacks presented in that open letter. In response to those political attacks and personalized insults, we simply note that Brooke Utilities, Pine Water Company and Strawberry Water Company are good and substantially valuable companies that always have been and will remain committed to serve our customers and stakeholders in the Pine and Strawberry communities.

Unfortunately, however, this open letter misstates our efforts to address customer needs relating to public water service. For example, the open letter claims that the water systems are in a state of disrepair. In reality, however, the Pine and Strawberry water systems have had lower water loss than allowed by applicable regulatory authorities, which demonstrates the water systems are in good condition. Further, there have not been any water quality violations, ADEQ complaints or ADEQ violations. We also have developed, financed and implemented Project Magnolia; we have eliminated numerous illegal meter connections; and, we have repaired numerous water system leaks. We have executed an Emergency Water Supply Agreement with the Pine-Strawberry Fire Department; we have executed a Joint Well Development Agreement with the District; we have replaced hundreds of non-operating water meters; we have developed well buildings in the local communities; we have repaid more than \$400,000 in past due Gila County property taxes owed by the prior owners; we have made charitable donations to needy persons in the community; and we have timely paid property taxes, supplier bills and payroll taxes. We also have developed water sharing agreements with community partners. Finally, it should be emphasized that there has *not* been any water hauling in 2008 to date and we have *not* had any water service interruptions in 2008 due to insufficient water supply, which demonstrates that the problem in Pine is a resource or supply issue, not an operator problem.

If the Pine-Strawberry Water Improvement District truly intends to purchase and acquire Pine Water Company and Strawberry Water Company, then the District should pursue a fair purchase agreement through good faith negotiations, rather than insulting open letters to the newspaper. Or the District

can proceed with legal condemnation proceedings. The local property owners within the District should be aware, however, of the substantial risks of such course of action, including the possibility of an adverse condemnation verdict. The local community also should be advised of the fact that several other Arizona water companies recently have been acquired for \$3,000 to \$6,000 per connection. The District and its property owners, and the current customers of Pine Water Company and Strawberry Water Company, should be fully advised of these underlying facts and market conditions, including the risks of the long, divisive and expensive process insinuated by the “authors” of the open letter.

If the District intends to embark on that course of action, which would involve the customers of Pine and Strawberry Water Companies, then we are prepared to respond accordingly. As development in the Pine and Strawberry communities brings increasing pressure on limited public resources, finances and water supplies, however, the Pine-Strawberry Water Improvement District and other local businesses/developers should be partnering with Brooke Utilities to help meet infrastructure and water needs, rather than attempting to drive us away with personal attacks and legal threats. No one responds positively to such coercion. In fact, the Joint Well Development Agreement is a good example of partnering. Under that Agreement, Brooke Utilities offered to invest substantial resources in developing a solution that potentially solves the local water supply issues in Pine and Strawberry. Even so, the District now has refused to provide assurances of its performance under that Agreement. Under these circumstances, we encourage the District and other interested parties in the local communities to focus on what best serves the public interest.

Robert T. Hardcastle
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