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2008 DEC 12 P 1:22

Arizona Corporation Commission

DOCKETED

DEC 12 2008

AZ CORP COMMISSION
DOCKET CONTROL

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BEFORE THE ARIZONA CORPORATION COMMISSION

7
8 IN THE MATTER OF THE APPLICATION
9 OF PINE WATER COMPANY FOR
10 APPROVAL TO (1) ENCUMBER A PART
11 OF ITS PLANT AND SYSTEM
12 PURSUANT TO A.R.S. § 40-285(A); AND
13 (2) ISSUE EVIDENCE OF
14 INDEBTEDNESS PURSUANT TO A.R.S.
15 § 40-302(A).

DOCKET NO: W-03512A-07-0362

**PINE WATER COMPANY'S
STATUS REPORT**

13 Pine Water Company ("PWCo") submits the following status report in accordance
14 with the Procedural Order dated September 29, 2008, which requires "that the Intervenor
15 and Pine Water Company shall file by December 12, 2008, either jointly or separately, a
16 report including the status of any purchase negotiations or condemnation efforts, and any
17 other developments or pertinent information in this case." PWCo previously provided the
18 Commission with reports on the status of the Pine-Strawberry Water Improvement
19 District's efforts to condemn PWCo and Strawberry Water Company ("SWCo") in (i)
20 PWCo's Reply to Intervenor's Opposition to Notice of Withdrawal dated December 9,
21 2006, (ii) PWCo's Notice of Withdrawal dated November 24, 2008 and (iii) PWCo's
22 letter to Chairman Gleason dated November 24, 2008. PWCo incorporates those
23 documents herein.

24 To summarize, the District has terminated the Joint Well Development Agreement
25 with PWCo, and the District has refused to perform its obligations under the JWDA,
26

1 including refusing to release the necessary funds from escrow for the K2 project. As a
2 result, PWCo had no choice but to file arbitration claims against the District for breach of
3 the JWDA. The arbitration hearing is scheduled for February 9-12, 2009.

4 On or about November 12, 2008, the District filed a condemnation complaint in
5 Gila County Superior Court, Case No. CV 2008 375. PWCo has contested the
6 condemnation and the parties currently anticipate lengthy litigation. With respect to the
7 District's condemnation efforts, this Commission should be aware that, over the past few
8 months, PWCo has repeatedly asked the District to provide contracts, documentation and
9 other information illustrating that the District has obtained financing for its proposed
10 condemnation of PWCo and SWCo. To date, the District has not provided any such
11 evidence or documents to PWCo.

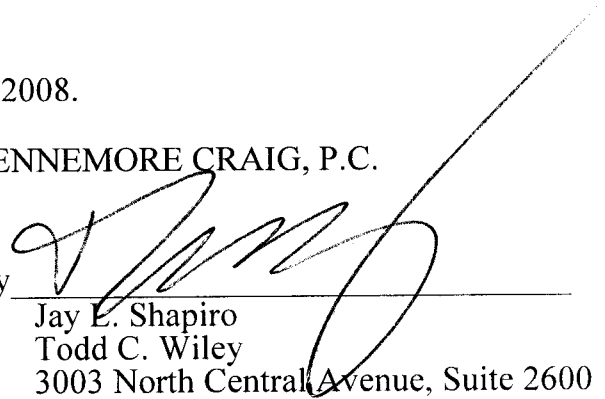
12 Finally, with respect to this docket, the relief sought is no longer necessary. The
13 primary reason for the Company's application was the District's requirement of a lien
14 against the yet to be constructed K2 well, a requirement the District unilaterally waived
15 several months ago when it deposited its funding in escrow. The financing obligation on
16 PWCo does not become effective without both an asset and a rate case where the asset is
17 included in rate base, which are events that may occur sometime in the future. To the
18 extent it might become necessary for PWCo to seek relief related to the K2 project at a
19 later date, PWCo would seek relief at that time. Currently, however, this docket should be
20 administratively closed.

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DATED this 12th day of December, 2008.

FENNEMORE CRAIG, P.C.

By



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1 ORIGINAL and thirteen (13) copies of the
2 foregoing filed this 12th day of December, 2008:

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington St.
6 Phoenix, AZ 85007

7 COPY of the foregoing hand-delivered
8 this 12th day of December, 2008:

9 Mr. Dwight D. Nodes
10 Assistant Chief Administrative
11 Law Judge
12 Arizona Corporation Commission
13 1200 W. Washington Street
14 Phoenix, AZ 85007

15 Mr. Kevin Torrey, Esq.
16 Legal Division
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Chairman Mike Gleason
21 Arizona Corporation Commission
22 1200 W. Washington Street
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24 Commissioner Jeff Hatch-Miller
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COPY of the foregoing mailed and e-mailed this 12th day of December, 2008 to:

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