

An Open Letter to Robert T. Hardcastle – President, Brooke Utilities The Board of Directors of Jaco Oil and Crystal Investments, The Arizona Corporation Commission, Steve Owens, Director of Arizona Dept. of Environmental Quality

On July 3, 2008, our elected officials of the Pine-Strawberry Water Improvement District voted to purchase the assets of Pine and Strawberry Water Companies. Their offer of \$2,172,446 was predicated on an appraisal done by the firm of Coe and Van Loo. Our water system is in a state of disrepair (see pictures), water shortages continue, massive hauling charges have occurred, and it is evident that we as a community have privately developed the means to provide an adequate source of water and enhance our quality of life.

To the owners of Brooke Utilities, and the directors of Jaco Oil and Crystal Investments: We appeal to you to negotiate in good faith and end your adversarial ways, so we may take control of our future and make the improvements that our water system needs. It has been ascertained beyond a reasonable doubt by hydro-geologists, (including your own) that there is significant, in fact billions of gallons of economically available water, located right under Pine and Strawberry.

Your California based, multi-layered firms are in trouble with your customers of Pine-Strawberry and numerous other communities. You have been continually called on the carpet by the Arizona Corporation Commission where Judge Dwight Nodes stated the following in the most recent case about Brooke Utilities;

- "Customers have a right to expect uninterrupted service except for emergencies."
- "Just because there is a moratorium in effect you don't get to sit back and not ever look for water again."
- "I think the Commission's concern is let's get a remedy in place to try to address some of these issues and to get beyond a moratorium situation."
- "At some point you have to actually put into place some additional infrastructure in the form of well production and storage" and "you can't just study it and study it and not actually put something into place to solve the problem."
- "We have had these issues coming, you know, with Pine and Strawberry as well as this company, Payson (Water Company) for many years. But you know, again at some point enough is enough as far as just talking about it and something needs to be moved forward."

In response to all this from Judge Nodes, when Mr. Hardcastle (President-Brooke Utilities) was asked by Judge Nodes, "I don't know if you want to comment, Mr. Hardcastle, feel free?", Mr. Hardcastle's reply was, "No, your honor, I don't think I have any further comments."

It is no secret that Brooke Utilities has:

- Provided inadequate investment in development of new water resources in light of the fact that other water districts and individuals have found adequate water for years.
- Failed to provide adequate storage to meet peak demand spikes.
- Failed to perform adequate due diligence in terms of water development projects.
- Performed inferior repairs to our water system.
- Been notified numerous times by the ACC regarding poor customer relations and billing clarity.
- Burdened the people of Pine with unfair and unnecessary water hauling charges.

By almost a 2-1 margin, the people of Pine-Strawberry voted in a new Pine-Strawberry Water Improvement District Board to correct our water challenges with an aggressive and positive course of action.

To the Arizona Corporation Commissioners Gleason, Mundell, Mayes, Hatch-Miller, and Pierce: We request you to have the courage to carry out the convictions of Judge Nodes and do what reasonable and respected regulators should do. After all these miserable and expensive years for the ACC and the 4500 property owners (about 10,000 voters), your immediate and firm actions are demanded, especially now that a good and reasonable alternative is being laid before you that can stop the waste of staff time and limited ACC monetary resources. Please act now in behalf of yourselves and the citizens of Pine-Strawberry. The time has come to revoke the Certificate of Convenience and Necessity of Brooke Utilities in the Pine-Strawberry area.

To Steve Owens, Director of the Arizona Dept. of Environmental Quality: We request you enforce the statutes under your jurisdiction. We also request you make Brooke Utilities (Pine Water Company and Strawberry Water Company) comply and correct the defects in the systems that they were alerted to by ADEQ in a letter dated November 2, 2004 from your department to Robert Hardcastle. Four years later, numerous corrections are still needed to insure the public health and safety. (See pictures)

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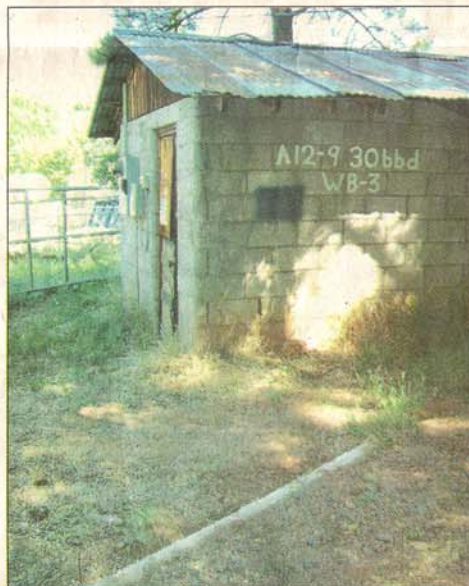
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