

## Pine Creek Canyon Domestic Water Improvement District

P.O. Box 945  
Pine, Arizona 85544  
928-476-2260

6/1/2007

PCCDWID customers,

The Board of Directors, along with the District Manager and District's legal counsels, have worked very hard over the past 3 months to resolve the lawsuits initiated by DNW related to the District's interconnection policy, its well sites, and its wastewater pond properties. At the May 5th meeting I reported that we had reached an agreement with DNW and expressed hope that we could now get on with the business of running the District's water and wastewater operations.

Last Friday May 25th the District's counsel received a letter from DNW's attorney stating that they refuse to sign the agreement that had been negotiated related to the interconnection process. The reason given was due to an alleged misunderstanding between DNW and their own attorneys as to the attorney's authority to agree to specific wording on their behalf.

Although I'm not in a position to discuss the specific terms of the negotiations, I can tell you that DNW's response included an ultimatum that the Board considers to be a request for preferential treatment that is discriminatory against other property owners. DNW is demanding a complete waiver of hook-up fees for which all existing customers have, and future customers are required, to pay. In addition, DNW is also seeking to take title to the three future well sites and to the land parcels that the District set aside for future expansion of the wastewater treatment pond.

The Board does not understand DNW's request in light of public comments expressed by their representative at the February 10, 2007 PCCDWID meeting. Per the minutes of this meeting, **"Mr. Nicholas explained DNW's desire to be treated as being just like the rest of the property owners within the District"**. Nevertheless, DNW's request amounts to a shortfall to the proposed 2007/2008 operational budget of almost \$47,000, which if not resolved may result in higher fees for everyone else, or inadequate financial reserves.

The PCCDWID board is legally responsible for defending any unjustified actions taken against the District's interests. DNW's response is clearly such an action, and the Board is now forced to take legal steps in order to avoid loss of well and wastewater land parcels, and loss of revenues related to pro-rata sharing of costs related to the interconnection study. Unfortunately this will require additional legal expenses beyond what was anticipated in the proposed 2007/2008 budget.

I strongly encourage you to attend the PCCDWID Budget and Rate Hearing, scheduled for 10:00am, June 30, 2007, at the Pine-Strawberry Fire Station. At that meeting we will be able to update you on the litigation status and to explain any changes required to the proposed budget.

Please email me if you have comments and questions.

Sincerely,



Ernie Borgoyne (ewborgoyne@cox.net)  
Interim Chairman, PCCDWID Board of Directors

OVER

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(928) 476-2260

Addendum

The letter dated 6/1/2007 was read verbatim at the Portal IV Homeowner's association meeting on Saturday June 2, 2007. The District Board members in attendance at this meeting heard a strong voice of support from the HOA members and asked for ideas of how they could support us. The letter was to have been mailed on Monday June 4, 2007 with names and addresses of individuals to contact to express concern.

However, on Monday, the District's counsel forwarded an email to the District Board members from DNW's attorneys stating their intent to file new plans for high density use of their tract, specifically a 90 condominium project instead of the 10 residential lots they had planned.

The PCCDWID District Board has negotiated in good faith to reach a fair and equitable settlement. However, each time that the Board and its counsel appear to reach a settlement, DNW again changes its position. This change is always to the detriment of our existing customer base. Unfortunately this requires the District Board members, District Manager and District Counsel to continue to spend our limited resources adjusting to the whims of one of its customers.

We are investigating options, and as mentioned in the 6/1 letter, we will update you at the June 30, 2007 meeting. In the meantime, here are the names and addresses of some of the key parties to whom you might want to express your concern:

DNW HOLDINGS, LLC  
P.O. Box 26424  
Scottsdale, AZ 85255

Gila County Board of Supervisors  
Tommie Cline Martin, Vice Chairperson District 1  
714 S. Beeline Highway Suite 201  
P.O. Box 2297  
Payson, AZ 85547  
Phone: (928) 474-2029

Gila County Community Development  
Planning & Zoning Department  
Attention: Bob Gould, Director  
1400 East Ash Street  
Globe, AZ 85501

**OVER**

**Email: [pccdwid@qwest.net](mailto:pccdwid@qwest.net)**

**Fax: (928) 476-4686**