

Hello Neighbor,

This email is from the group Water For Pine Strawberry. We will be sending out an email after each of the PSWID meetings with a summary of what the board did, additional facts that are relevant to what went on, and some commentary. Please forward this email to friends and neighbors that are interested in the local water issues. If you would like to be added to or removed from the list for these emails, please reply to waterforpinestrawberry@hotmail.com. Emails on earlier meetings are available on our website.

Last week we posted the proposal that PSWID gave to Brooke for the purchase of the water companies, but hadn't had time to go through it. The proposal can be found here: <http://www.waterforpinestrawberry.com/data%20pages/Proposal%20to%20Purchase%20Pine%20and%20Strawberry%20Water%20Companies%2008%2004%2017.pdf>

To summarize what is in the proposal:

- Note: There is a cut and paste error in the proposal where "PS Water LLC" was used instead of "District"
- PSWID offers \$2,000,000 for:
 - All water company assets (including Magnolia pipeline)
 - CAP allocation (161 acre-feet) + any other water rights
 - Rescinding the K2 Agreement

A very lowball offer, but it is intended to just be the opening round. We have looked at potential values for the water companies in the past. That information can be found here: <http://www.waterforpinestrawberry.com/data%20pages/AntiTakeover.htm>

June 5, 2008 PSWID Meeting

Next regular PSWID Meeting: Thursday June 19, 2008 7:00 PM at the Pine Cultural Center

1. Mr. Chaney's request to remove his lot from the PSWID water district was approved
2. Mr. Calderon was appointed to replace Mrs. Hall as head of the election committee
3. There was discussion about whether to move the escrow account into an interest bearing account. There was confusion over various fee options. The matter was tabled in order to get clarification on the fees.
4. Board appointed Tom Weeks to fill the seat of Mrs. Hall through the end of the year.
 - Myself, Mr. Weeks, and Ron Sigars
 - Mr. Weeks has experience with wastewater and domestic water system operations in his background. He holds an inactive Class 3 water operator's license
 - When questioning me the board took the opportunity to express their displeasure with my having said that the board had taken unethical actions, specifically the hiring of Mr. Gliege with the conflicts of interest that he brings with him. Mrs. Hall came to the same conclusion and resigned from the board. I agree that the line between what is ethical and what isn't is often in the eye of the beholder. I think the hiring of Mr. Gliege was not in the best interests of the public. Others may have a different opinion on where that line is.
5. Board approved a contract for the consulting services of Coe and Van Loo LLC for the appraisal of the Pine Water Co and Strawberry Water Co assets.
 - Board sent out requests to five different firms and received 4 responses
 - Board scored the responses and selected Coe and Van Loo. They have done similar work in Cottonwood, Show Low, and Queen Creek.
 - Coe and Van Loo will use Economist.com as a subcontractor for the appraisal. Economist.com is the firm that did an evaluation of the value of the two water companies back in 2003 in support of the petition drive.
 - The contract is divided into four parts. Initially only part 1 and possibly part 2 will be done:
 - Value the water companies - \$31,000
 - Estimate the cost of needed improvements - \$6,000
 - Estimate operations and maintenance costs - \$1500
 - Estimate rate impacts and financial analysis - \$13,000

- The 2003 Economist.com valuation is based upon the information contained in the 2002 annual reports filed with the ACC. Their valuation did not include the magnolia pipeline or the 161 acre-feet of CAP water. The 2003 report is available at the Pine library.
 - Last year I took their valuation for 2002 and updated it with the numbers from the 2006 ACC reports.
 - The numbers for the valuation based on assets, for both 2002 and 2006, can be found here: <http://www.waterforpinestrawberry.com/data%20pages/Asset%20Valuation.pdf>.
 - The numbers for the valuation based on subscribers, for both 2002 and 2006, can be found here: <http://www.waterforpinestrawberry.com/data%20pages/Subscriber%20Valuation.pdf>.
6. Board approved the establishment of a \$100,000 reserve account
- Board has \$144,000 that is “surplus” from prior years
 - In order to spend that money, they needed to transfer a portion to a reserve account
 - The cost of the Coe and Van Loo contract will come out of this money
 - The board did not say how they plan to spend the rest
7. The board went into executive session
8. After returning the board stated that they had no actions to take with regards to the acquisition
9. The board discussed their response to the last letter received from Brooke asking for confirmation that the board is going to honor the K2 agreement.
- Mr. Haney summarized the response as “This is kind of a summary of the letter 'which says to the extent that it is within the lawful power and authority of the district to act as to the K2 agreements and to the extent that the same are lawful and binding upon all parties and to the extent that there has been no material breach of the agreements by PWC, the district acknowledges that it is bound by all the terms and conditions of the K2 agreements including those which provide for cancellation and termination of the K2 agreements. The district will not engage in any activity under the agreement which is unlawful or violates the constitution or the laws of Arizona, or the United States, or which was entered into contrary to the applicable laws of the State of Arizona' In other words we are saying we are in compliance and we are not going anywhere with this until they comply with their parts of it.”
 - Given all of the rhetoric about killing the K2 project that was put forth during the recall, it makes sense that Brooke would want some confirmation from the board before expending additional money that would end up having to be recovered through litigation.
 - Part of the discussion focused on why the response from Brooke had been made public on our website.
 - The board was under the impression that these letters were between attorneys and were therefore confidential under attorney-client confidentiality. It was pointed out to the board that the letters were between Mr. Haney and Mr. Hardcastle, and they are not covered.
 - Mr. Haney indicated that future correspondence with Brooke would be between attorneys so that it could not be made public.
 - We think that it is a mistake for the board to hide these communications from the public. The board is acting on behalf of the community and the public has a right to know what is going on between them and Brooke. Publishing the communications between PSWID and Brooke would have no adverse impact on either side, so they should remain in the public domain.
 - The story behind why the letters are on our website is that I received an email from Brooke. I read through their response and decided that they would be of interest to people and we already had the initial Brooke letter posted. I wrote an email to Mr. Haney telling him that I was going to post the letter and asked if he would provide his letter for posting so that people would have the proper context when reading Brooke’s response. He sent me his letter without any comment about concerns over confidentiality.
 - You can read the letters here: <http://www.waterforpinestrawberry.com/data%20pages/BrookePSWIDDocs.htm>
 - The PSWID letter claims that the district will not proceed with actions concerning the retention of the well driller until Brooke shows compliance with Title 24, Chapters 2 and 3. The PSWID letter

does not specify what part of those chapters that Brooke has not satisfied. Brooke's response says that they have complied with 34-201. My read of 34-201 is that Brooke did comply with the process to notify that the project was open for bidders and select a final contractor. The rest of Chapter 2 doesn't look like it applies. Chapter 3 covers not having aliens or people who have been residents of Arizona for less than a year work on public contracts. I have put copies of the two chapters on the website here:

<http://www.waterforpinestrawberry.com/data%20pages/BrookePSWIDDocs.htm>

Water For Pine Strawberry is a group of residents who are concerned about the communities water issues and how they can best be resolved. Visit our web site, www.waterforpinestrawberry.com, for more information. The website for PSWID is www.pswid.org .

Clarifications can be submitted by anyone who is explicitly named, implicitly identifiable, or a board member to items in this email. Clarifications will be posted on our website. We reserve the right to post a response. Clarifications must deal with the topics discussed in the email that relate to the individual or the board. They must be in family friendly language and be non-abusive. When the clarification is accepted, it will be posted to the website and notice of that posting will be added to the next email.