

Hello Neighbor,

Some additional information has become available.

1. Brooke Responds to K2 Agreement Denouncement by PSWID.

- Brooke responded to the district's letter rescinding the K2 agreement. We have posted the letter here: <http://www.waterforpinestrawberry.com/data%20pages/K2PSWIDDocs.htm>. The letter invokes the arbitration clause in the K2 agreement and names Brooke's choice for arbitrator. Discusses why the extension of the schedule does not require the districts approval. Discusses why the district will be liable for misrepresentation if the agreement is found to not be legal. Discusses that the K2 agreement does not require proof of compliance with bidding statutes. Discusses why the eight items listed by the district as constituting a breach on PWCo's part are not supported by fact or law. Discusses why the reasons that the district gave for denouncing the agreement are not supported by fact or law.

2. PSWID Provides Access to Coe and Van Loo (CVL) and Economists.com Documents

- The board has finally made the CVL documents available, as well as the recent Economists.com cash flow and rate analysis. The CVL valuation of the water companies is available at the library and can be checked out (I will have it back by Monday). The other two documents we have posted here: <http://www.waterforpinestrawberry.com/data%20pages/PurchasePSWIDDocs.htm>.
- At the last board meeting the board claimed that the water companies could be purchased without requiring a rate increase for two years. A quick look at the Economists.com report shows that, in addition to continuing to understate the operations costs like we have talked about before, the term of the loan has been extended from the typical 20 years for a municipal loan to 25 years and the first two years are interest only payments.
- Strawberry and Pine keep their current water usage rates for those two years. In the third year, the rates go to Pine's current summer rates for both communities and they apply all year round. Based on their numbers, this is an 8.9% increase for Pine customers and a 20% increase for Strawberry customers (since Strawberry's water rates are currently much lower than Pine's). In the fourth year all customers get a 15% rate increase. After that there are smaller yearly rate increases.
- I will be going through each of the reports in more detail and will send out a summary email in the next week or so.
- Comment: The community deserves better than this. The board is so set on making it look like the water company purchase is "free" that there doesn't seem to be anything that they aren't willing to fudge in order to be able to make that claim. The board needs to be honest about what the expected costs are and how those costs may change if the board's assumptions don't come to pass. Once the district is in charge of the water companies, the district will have no choice but to pass all expenses through to the rate payers as they will not be able to operate at a deficit. The question becomes what are the probabilities that the board's

optimistic view on the price, operations cost, and financing will come true, and if they don't come true, how far off will they be?

3. Mr. Hardcastle's Testimony on Value of Water Companies to ACC

- One of the curious things is the repeated claim by the board and Mr. Gliege in his letters to Brooke that Mr. Hardcastle has sworn under oath that the water companies are worth \$3,000,000 and that this somehow limits the maximum price to that number.
- I went to the ACC testimony that was taken on September 27, 2007 and pulled out the portions where value of the water companies was discussed. Those excerpts have been posted here:
<http://www.waterforpinestrawberry.com/data%20pages/PurchasePSWIDDocs.htm>. Most of the discussion is about whether the \$4.3 million value that the 2003 valuation came up with is a fair price. Mr. Hardcastle agrees with that. There is some testimony that Mr. Hardcastle had discussions with someone about selling the water companies and \$3,000,000 was the price that was discussed. No time-frame was given.
- Comment: In reading the testimony, it certainly didn't seem to me that there was a definite statement that Mr. Hardcastle would sell for \$3,000,000. In any case, I'm not sure why the board thinks that would be binding now.

4. Expenditure's from Reserve Account

- PSWID posted the treasurer's reports for July, August, and September on their website, www.pswid.org. The first four withdrawals from the reserve account are taken from those reports, the fifth item was told to us by a Gila County Treasurer's office employee for October:
 - \$19,552.99 July 9th for Gila County Elections to pay for recall election
 - \$12,690.00 July 29th for Mr. Gliege's legal fees
 - \$21,159.10 July 29th for Coe and Van Loo
 - \$15,990.90 September 10th for Coe and Van Loo
 - \$11,504.00 October ?? for Mr. Gliege's legal fees
- Starting balance was \$100,000. Current balance \$19,283.86.
- Comment: The board only authorized Coe and Van Loo expenses from the reserve account and stated that there would be a vote on other distributions from the reserve account.

5. Re-Organized Document Pages on Website

- I re-organized the document webpages on the www.WaterForPineStrawberry.com site. There was a page of CVL documents and then a page with all of the other documents. There is now a page with documents related to the purchase, a page with K2 documents, and a third page with misc. documents.

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: www.WaterForPineStrawberry.com.

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.