

RE: Thanks For Responding  
From: **Sam Schwalm** (waterforpinestrawberry@hotmail.com)  
Sent: Wed 1/30/08 8:14 AM  
To: CINDY MAACK (cindymaack@msn.com)  
Bcc: water4pine@hotmail.com  
Hello Ms. Maack,

Please see my responses below.

Sam Schwalm

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From: \*\*\*\*\*@msn.com  
To: waterforpinestrawberry@hotmail.com  
Subject: Thanks For Responding  
Date: Mon, 28 Jan 2008 02:49:36 +0000

Thank you for answering my questions. But lets continue.

I have succeeded in negotiating the purchase of at least 5 different businesses, all requiring signing contracts and leases with the landlords. All this with out borrowing money for my friends, family, customers or public tax money. I made them profitable and then sold them. With the exception of the Lumber Yard. I liquidated the inventory and still made a profit. Each business was a step closer to where I am now. I don't know if you remember the market when I bought in 1997, but I reinvested most of my profit back until I was able to move into the current location. I am now the landlord.

SS-> I have a lot of respect for business people. I admire the faith and effort that they bring to making their dreams real.

Did you read the agreement? It states that PWC will request a rate hike to cover any money spent and that they do not have to pay it back unless certain criteria is met. It is too much in the favor of PWC to make it equitable.

SS-> No matter how the water shortages are solved it is going to cost money. Part of that money will be recovered through higher water sales in Pine during the summer and through hooking up the 81 people on the waiting list and whatever growth comes after that. It is not likely that all of the cost can be recovered this way, so there will need to be a rate increase.

The cost per connection for the K2 well will be around \$900. The cost of buying the water companies will be about three times that amount (see the website for details). Which is more likely to produce a higher rate increase?

The government sets the rate because they granted him the CC&N's.

SS-> Right. The government assigns a monopoly on the delivery of service at the price of being able to control the rates so that monopoly position is not abused. The government also needs to allow the company to make a living in delivering that service or no one would be interested in doing it. So the government allows the water company to recover its expenses plus a percentage for profit.

The government provides oversight on the expenses so that they aren't inflated. That is where the ACC determines what expenses are "reasonable and prudent". The ACC makes PWCo pay those that don't meet that criteria out of their own pocket. If PWCo and SWCo are converted to a domestic water district, all expenses, no matter how poorly thought out, will be passed on to the customers.

You are guessing about how much water the K2 will produce. If any.

SS-> As the hydrologists reports state, you can't know the yield of a well until after you drill it. The Milk Ranch and Strawberry Hollow well owners didn't know what they were going to get either before they drilled their wells. Hydrology is not an exact science, it is about determining what spots are more likely to produce water than others so that there is a higher probability of success, but success is never guaranteed when drilling a well. The hydrologists did say that the K2 site is a reasonable place to expect a high production well.

I stole the saying "don't pee on my leg and tell me its raining" from Judge Judy. She even titled one of her books with the saying. Don't get pretentious with me.

SS-> I guess both of our attempts at humor fell flat.

We are not against the well! We are against the "Agreement"! It is foolish.

SS-> It is hard to tell that from what has been said in the public meetings. I would say that 90% or more of the time spent speaking against the K2 well has been about claims that aren't related to the Agreement.

Do you have any idea what Hardcastle offered Ray? Know body in there right mind would accept Hardcastle offer.

Ray, Jim and Loren would sell to the district and have stated so. Oh, and by the way don't forget they invested their own money.

SS-> No I am not aware of the details of the negotiation between PWCo and the well owners. Since what PWCo can charge customers for water, that sets a limit on what PWCo can spend to buy water. That amount has to take into account what must be spent to get to the water. It may be that the resulting amount is not seen as adequate by the well owners. When selling to a domestic water district, those limitations on what can be paid for the water will be removed. The well owners will be able to obtain a higher price since the costs can easily be passed through to the rate payers at that point.

The private well owners are astute business men. Just as you have a plan to recover the costs of your new store and profit from that, I am sure that they have a plan to recover and profit from the money that they have invested in their wells. Controlling substantial water in this area also brings a great deal of leverage that can be used to help increase profits in other areas.

Please, get this. It is not a Californian or anything to do with California. It is common sense not to send our resource out of the community no mater where that would be.

SS-> I think you are being inconsistent here. PWCo and SWCo leave much more of our water bill money in the community than the other utilities like phone and electricity. Essentially none of the phone and electricity money stays in town. In 2006, 9.9% of revenues went to local well owners, 3.7% of revenues went to property taxes. Brooke has local employees and buys local goods and services. Of all the utility payments that we make in this town, Brooke is the most local of them all.

As far as the tanks, or new ones for that matter, they could have been used on the property that is now owned by Mr. Richey. Lead negotiator.

SS-> The transaction was completed prior to Mr Richey joining the board. This town is to small to expect that one business person hasn't had a deal with some other business person at some point in time.

The hydrologist reports state that they believe it would be better to look for a location in Pine. Which is mute as far as I am concerned because we already have high producing wells. Why keep the peer reports confidential till you are forced by the Judge to produce them? Something to hide?

SS-> The hydrologist reports agreed that the K2 site is favorable for a production well. They further went on to state that a site in Pine might be cheaper than the K2 site to drill because of the reduced drilling depth. There is more than just the drilling cost to consider in the decision. The overall cost of the project needs to be considered which includes cost of the land, the drilling of the well, and the connection of the well into the distribution system. For the K2 site, the land was already owned and it is close to the Magnolia pipeline. The reduction in those costs balanced out the increased cost of drilling.

The other factor that was taken into account was time. There were no drilling sites identified in Pine at the time and there still aren't. The goal of the PSWID board was to bring water online as soon as possible so that the water hauling would no longer be necessary.

You want to keep BUI as water supplier even after the poor service and unethical behavior. I am referring to the Magnolia Pipeline affair when Hardcastle moved the property into another entity and then charged the Pine users an inflated price at the other end. Not to mention the latest development.

SS-> There are ways to deal with poor service that don't involve blocking a well that can end our water shortages. The only people that are punished by that are your neighbors who have to continue doing without water. In many ways, the efforts to block the K2 well gives PWCo an out. If you are successful, PWCo can tell the ACC we tried, but they don't want additional water. PWCo will never make the effort again if this is the kind of opposition they can expect.

As for the unethical behavior, the ACC is no friend of Brooke. I'm sure Brooke gets a lot of their attention. If Brooke violates the rules under which they are supposed to operate, the ACC will not be merciful and I think Brooke knows that. It is up to the ACC, or whomever, to determine whether they haven't followed the rules. It is not up to us to try and punish Brooke by denying ourselves water.

Honestly, do you believe Mr. Bossert for no personal gain would testify under oath anything but the truth. 'Cause I'll bet my bottom dollar that Hardcastle has and does. I am not being vindictive. You can not do business with someone who has is untastworthy. I don't care what they promise are how smooth they talk.

SS-> At this point there is an allegation and no one has had time to respond to it. Whether Mr. Bossert does have personal gain involved or a grudge over no longer being employed by Brooke has yet to be determined. In any case, it isn't clear why there would be a motivation to send water to Strawberry. SWCo is going for a rate hearing soon, so the more expense they can show the ACC the better their rate case. Sending water from Pine to Strawberry reduces that hauling expense.

I just want it known that I do recognize all the work done by the current PSWID. But the RCW has also invested many hours in research and personal money.

SS-> This I understand least of all. Why then are you dragging them and the rest of the community through the mud of a recall, five months before the election that would normally be held. RCW already controls two votes on the board and two more seats would be available to run for. That would give you the four votes to control the board. If Mr. Hardcastle is the scoundral that you claim, his anticipated bad faith with the K2 well would be evident by the end of the summer and the November election would be a cake walk for you and the whole community would be behind the water company takeover. I think that what is happening is being driven by the business plans of the private well owners. A successful K2 well means that there wells are not as important so they will not be able to derive as much profit and influence from them. A domestic water gives them that profit and influence with a board that they control. As a bonus, it removes ACC oversight and allows their development activities to fall under the supervision of Gila County where they have a lot of influence.

They aren't going to take a chance that K2 is successful, the recall is all about insuring that it isn't.

Cinthy L Maack