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24 August 2004

Brian McNeil
Executive Secretary
Arizona Corporation Commission
Utilities Division
1200 West Washington
Phoenix, AZ 85007-2996

Arizona Corporation Commission
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Re: Letter from Ian Fremantle, 10 August 2004 - Regarding Hill-Murray

Dear Mr. McNeil:

As you are aware, Ian Fremantle, Chief Administrative Officer for the City of Iqaluit has drafted a letter to Marc Spitzer containing unsubstantiated, unfounded and factually untrue perceptions on the performance of Hill-Murray projects in Iqaluit and Powell River. I find it incredulous that an official who was never involved in the design nor contracting of the projects feels qualified to pass judgment on their execution. Furthermore, as Mr. Fremantle was personally involved in the settlement of the Hill Murray litigation against Powell River which, on his recommendation, led to the payment of damages due to Hill Murray, I find his current position on the matter to be outrageous.

While I am at a loss as to the impetus for such a letter, I feel that Mr. Fremantle's comments, allegations and insinuations cannot be presented to the Commissioners without direct rebuttal.

Mr. Fremantle has known about the matter pending before the Commission for several months and yet he failed to intervene and chose not to participate in the matter – depriving all parties of the opportunity to question his background, knowledge, motives and understanding. And now, at the eleventh hour, after months of hard work by Commission Staff and the Company to resolve disputed matters and to create a framework for oversight and cooperation, Mr. Fremantle provides a letter marked "Private and Confidential" to the Chairman of the Commission.

Chairman Spitzer, to his great credit, ignored Mr. Fremantle's desire to provide secret communications and docketed the letter – I am very grateful for that act and the opportunity it affords me to respond to the untrue and defamatory insinuations. I am also grateful that the Commission has procedural rules, safeguards and high standards that prevent this sort of procedural ambush from infecting an open, fair and well litigated process. It is precisely the protections that the Commission's due process affords that allowed the Company and the Commission Staff to work together to establish the truth about Hill Murray's work in Canada.

That the parties have agreed to a reasonable settlement with remarkably strong consumer protections is a testament to the fair process this Company has been afforded. To see this last minute procedural ambush leveled against me personally is a matter that forced me to respond in detail, I view this act as an attack not only on me, but also on Commission Staff. Ernest Johnson has been a very formidable and honorable man – he has protected the public interest and negotiated a tough, but fair, deal for the State. The procedural ambush that Mr. Fremantle levels cuts not only against me but indeed against the process itself

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and by implication against Mr. Johnson. I am certain the Commission will give Mr. Fremantle's attack the merit it deserves. I want to assure you that Mr. Johnson has negotiated a very good deal for Arizonans and that he has delved deeply into the Hill Murray experience in Canada – Mr. Fremantle's implications notwithstanding.

I stand on my direct and supplemental testimony provided to the Commission as the whole representation of the reality surrounding the Powell River and Iqaluit projects. I find it interesting that Mr. Fremantle would feel compelled to breach the confidentiality clause in the contract documents to make unsupported allegations, particularly when those comments are made with the obvious intent to injure one party of the contract. In addition, I find it odd that Mr. Fremantle, in his capacity as an appointed official in Iqaluit, would comment in his official capacity on the contractual dealings and obligations of another municipality, Powell River.

Specifically, I take issue with the following:

1. Mr. Fremantle's reference that "Powell River has twice the infrastructure than what was originally specified in the contract" is true. Hill Murray was contracted to design and build a facility based solely upon an engineering flow study provided by Powell River. What he fails to point out however, is the reason that this facility has twice the infrastructure now than what was in the original design is because the flows that Powell River represented were wrong. The actual flows were twice the contracted amounts. This became apparent during the start-up phase of this project. To make the plant function at all flow rates, Hill-Murray at its sole cost provided the additional infrastructure to meet the unanticipated higher flows entering the plant. Mr. Fremantle's attempt to portray the requirement of additional infrastructure in a negative light appears to be intentionally misleading, and is in fact untrue. The facility was never designed to serve other areas in the town and as a direct result of the misrepresentation of flows by the Powell River; the expansion capabilities built-in to the design were immediately consumed to meet the higher flows at start-up. The plant in 1996 was forced to treat the projected 2014 flow rate as represented in the Powell River's engineering report, which was the basis for the contract. It should be noted that the plant is still operating in its expanded configuration today.
2. Mr. Fremantle makes no mention of the Iqaluit decision to suspend the contract after they reneged on the mutually agreed repair solution for the tank repairs, for reasons that were never made clear. Mr. Fremantle's overt attempt to externalize the failure-to-complete after the contract termination is a direct reflection on the ability of Mr. Fremantle and his staff. Of particular note is the paucity of work required to complete the project, and the pre-paid nature of the commissioning services from Zenon. To me, the failure of the City to complete the project they terminated is reprehensible.

With respect to the articles prepared by Mr. Younger-Lewis, I will not comment on his interpretation of the ACC process or the issues resulting in the settlement agreement. On the subject of Hill-Murray, Mr. Younger-Lewis has attempted, in a very short timeframe, to get up to speed on some very old and complex contractual situations. While I spent almost an hour going over the details of the project with him, these articles do not accurately reflect the tone or detail of the conversation, and contain several factual errors.

With respect to Powell River, the Corporation of the District of Powell River did not sue Hill-Murray. In fact, the opposite is true. As mentioned above, the Westview Water Reclamation Facility continues to treat flows that are substantially greater than the contractual design flows, to the requirements of the permit.

In Iqaluit, Municipality officials selected the design and technology in a competitive process after having visited several Hill-Murray facilities, including Mt. Washington and Powell River. Because of its inherent simplicity, its capability of unmanned operations and its proven record in arctic-type conditions, the Hill-Murray design was far and away better suited to the Municipality's needs than those facilities of other bidders, which the City also visited.

The Iqaluit plant is a virtual replica of the Mt. Washington plant – a facility that has received many technical and regulatory awards for innovation, design, construction and operation. The supposition that the Iqaluit plant is “questionably engineered”, “too complex” or requires “too many woodchips” is ridiculous and offensive to both Graham Symmonds and me.

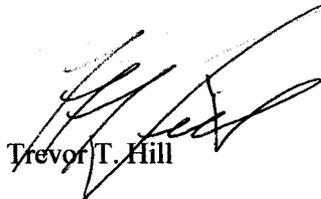
I should also note that it was the inspection by Hill-Murray's engineers that identified the failure of the sub-contractor-installed tankage. Hill-Murray, in accordance with the contract, correctly required the sub-contractor to develop a repair solution, correctly administered the execution of the sub-contractor's performance bond in favor of the Municipality and correctly notified the Municipality. This solution was accepted, approved, and a Change Order issued, and then suddenly terminated by the Municipality after Hill-Murray and the sub-contractor had expended over \$150,000 delivering material and personnel to the site. Even so, Hill-Murray continued to ensure that the civil contractor's performance bond remained available to assist the Municipality in their chosen solution. From a commissioning perspective, Zenon Municipal Systems has been pre-paid for commissioning of the plant, and with the exception of minor work to some sub-systems, commissioning could be accomplished in very short order. The exorbitant amount of money the City has spent on so-called third party evaluations is unfortunate, and unnecessary, and clearly speaks to the City's internal administrative and technical shortcomings.

In summary, Mr. Fremantle's comments can be reduced to the rants of an ineffectual manager, incapable of either accepting responsibility for the decisions of his subordinates, or the consequences of his own decisions. I find it deeply troubling that this individual is attempting to manipulate the ACC process to pursue a personal vendetta. By submitting an “eleventh- hour” correspondence directly to the Chairman, he conveniently avoids having a thorough and impartial investigation while denying me a fundamental right to cross-examine my accuser to ascertain his credibility and motives. This type of “drive-by” accusation is specifically intended to damage my reputation and derail the proposed settlement in a manner by which the accuser is held completely unaccountable. I trust that the Commission and staff will see through this cowardly act and fully appreciate that the issues raised have been thoroughly disclosed and are the subject of a settlement that is in the public interest.

You may contact me directly at 623-203-8667 should you have any questions.

Sincerely,

GLOBAL WATER RESOURCES, LLC



Trevor T. Hill

Cc. Docket Control