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112651 N. Pebble Beach Dr.
Sun City, AZ 85351-3327
July 31, 2001

Arizona Corporation Commission

Attn: Honorable Members Mundell, Irvin and Spitzer; Re: Application of Sun City Water Company, et al.

Dear Commission Members;

This letter is written out of total frustration with a system of government that seems to lack all logic and order. This is true because a frequent user of the system, Citizens Utilities, has set out to take advantage of its complexities and absurdities. Citizens determined to build an unneeded pipeline to and at the expense of Sun City in order to treat its CAP water for domestic use and sale elsewhere. It bundled the package with advantages for one entity, Sun City West, and has successfully held the package together, seemingly, without challenge. No one seeks to determine the benefit for Sun City or to compare that with Sun City's costs. When asked if Sun City should vote on the project, Citizens rejects that and says it wants all of many communities involved to make a joint vote. I suppose, so that Citizens can do as it did with the task force and carry the day with Sun City West voters. When a vote is sought by members of Recreation Centers of Sun City, it contends only Citizens and not RCSC that is causing the expense, even though it is RCSC's contract with Citizens that caused the rate increase. Even though it has "leased" its most valuable asset for nothing to Citizens, RCSC says it has done nothing that involves its members. ACC could require a vote but instead it pretends that some duly authorized group has approved it and none is necessary. That concept demands further investigation. (See my enclosed letter to Arizona Republic attached.) Citizens screened the members, called the witnesses, had employees on the task force and even one Glendale resident. It also presided at the meetings and financed the finagling of votes. It allowed Sun City West and Youngtown to outvote Sun City on what became a vote to raise Sun City water rates 45%. It bought the vote of the condo association. It forced a walkout by the Taxpayers members in protest of the way the voting was handled. Technical representatives of Citizens voted for the recharge. Even with all the conniving, the pipeline was barely favored over recharge. That was before CAP recharge was a reality. Citizens persuaded the task force that water put in recharge would not benefit Sun City for decades, if ever. Incredibly, now Citizens, with your blessing, will be using CAP recharge, as benefiting Sun City.

There are several ways justice can yet be done. 1. ACC can require a vote of RCSC members. 2. ACC can insist that benefit/ cost ratio be separately determined for Sun City and ACC should act separately on the application insofar as it relates to Sun City. 3. If reliance is to be had on the task force vote, the propriety of its entire existence and actions need to be carefully scrutinized. 4. The operating agreement between RCSC and Citizens has never been produced. Apparently, because it drastically changes the original contract to the further detriment of Sun City. This agreement should be produced by Citizens or RCSC before any hearing is held. Citizens has maneuvered this process with great precision to avoid meeting the obvious complaint of Sun City that for \$2 to \$3 million per year plus the loss of its 4100 acre feet of ancient water rights, it gets only surface water in exchange and maybe saves a bit on pumping. Citizens gets to raise its Sun City rates by 45% and takes the ancient rights for lease elsewhere. This is horribly unfair. I have been a judge and for two terms was a trial-tested United States Attorney for Colorado (69-77). I think I know a scam when I see one. I hope you do too.

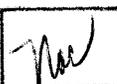
Kindest regards,


James L. Freese

Arizona Corporation Commission

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West Valley Opinions

SATURDAY, JULY 7, 2001

THE ARIZONA REPUBLIC

Pipeline project doesn't hold water

You keep interviewing and printing letters from Mr. (Jerry) Swintek, (president) of the Recreation Centers of Sun City, RCSC, who sneers at efforts to save the citizens of Sun City \$3 million per year or a 37 percent increase on their water bills. (And that is if no costs are underestimated or not included.)

He doesn't speak to the cost of the alternative, which is recharge, which accomplishes the same thing and is virtually free. Add to the \$3 million the value of our ground water which Citizens (Water Resources Company) gets leased to it by the RCSC, at no cost for as long as it wants it. It is free to charge for this credit, a benefit we could have for the RCSC, if we hadn't signed to give it away.

Isn't it interesting that Mr. Swintek says no one objects to the pipeline project, but he is afraid to give us a vote to find out and would rather spend your money on attorneys' fees to prevent your getting a vote?

I am really sick of the statement that the task force approved the pipeline. Thus, in truth, didn't happen because the voting system was rigged and flawed. Despite rigging, the vote barely favored pipeline over recharge. The task force was conceived by Citizens. It hired experts to conduct the meetings and



JIM TREECE

My Turn

produced all the witnesses who appeared. It had two of its top guns on the task force. It screened the other members. Citizens hired an expert to handle the voting. Voting meant answering with ratings many questions on 11 issues by rating answers. The ones in charge applied weight to the 11 issues, then, supposedly, determined which project was favored.

The system was obviously rigged to give the answer desired by Citizens. Task force members were not given details such as about the exchange of CAP water for ground water. They did not see the contract. Even now important contracts are floating around unsigned. When the scheme has fully worked the contracts will be signed and maybe be available for us to see. Mr. Swintek is playing fast and loose with us. Where is the operating agreement between Citizens and RCSC that was supposed to have been attached to the pipeline project engineering report of 2000, but is only a blank page?

There were many other ir-

regularities in the voting. The condo representative agreed to the pipeline in consideration of the rates being by household and not by water use. But the biggest fault with the voting was allowing the votes of five members from Sun City West and one from Youngtown to raise Sun City water rates.

There was a conflict between the two Sun City areas and the vote on Sun City water rates should have been limited to Sun City. Sun City West, for its golf courses, had no CAP water. It had temporary industrial rights which were due to expire. The task force agreed to give Sun City West 2,300 acre-feet of Sun City's CAP allotment. Also Citizens committed itself to making Sun City ground water available to Sun City West. Sun City West was now gung ho for the pipeline project.

Sun City, for all its huge investment, gets nothing from the pipeline but the privilege of giving its CAP and ground water to Sun City West.

If you want a vote on whether we must surrender our ground water to Citizens and agree to pay \$3 million per year on a pipeline to benefit Sun City West, let RCSC know. I've been telling you that you were scammed. I hope you're paying attention.

Jim Treece lives in Sun City. The views expressed are those of the author.

Daily
New Sun
6/17/01

My view

CAP pipeline merits a closer examination

JAMES TREECE
SUN CITY TAXPAYERS ASSOCIATION

Replying to Mr. Jones:

If I were a Sun City West golfer, I guess I also might be trying mightily to push the Central Arizona Project pipeline down the throat of the poor people of Sun City, who don't know what's hitting them and won't find out from the proponents of the pipeline. I read the minutes of the meetings of the task force, and this is what I found out:

1. There was brief mention of the fact that Citizens was getting ownership of the pipeline and would therefore be entitled to raise the rates on all water as a result, but I found no discussion of what that would cost us in addition to the estimated \$8 monthly for the cost of the pipeline and the CAP water.

2. I also found no discussion as to the interest that Sun City homeowners would pay for the financing of the pipeline. I did see where we are being charged 8.7 percent on the advances made by Citizens to retain CAP water. Again, in the estimates of the costs we will pay, there is nothing included for interest. So the total for everything could run \$20 per month, for all we know. Remember, there have never been any bids yet, only three-year-old estimates. Remember, too, that Citizens has to acquire rights-of-way at unknown expense and may have to put in filtration equipment to make the salty water satisfactory.

3. There are no solid figures to

support the \$1.2 million or so annual estimated maintenance costs of the pipeline, which we will have to pay. Citizens controls how it divvies up its expenses between ordinary and the pipeline. Are you confident you will always get a fair accounting?

4. There was no solid admission that Citizens was going to use the sweet water we traded for their surface water. It plays on words and says we are not selling Recreation Centers of Sun City water. They, instead, use the fact that Citizens holds that water to sell elsewhere to its customers. In effect, Citizens is selling the good water we traded for the bad. Ray Jones, general manager of Citizens, told the Corporation Commission, "Our whole purpose was to get potable water as cheap as we could to sell, and this was the way we found."

5. The task-force voting was so manipulated, it can't possibly be valid. One glaring defect is that Sun City West representatives got to vote on the Sun City obligations under the contract. We don't know what the Sun City task-force voters wanted. It is possible that Citizens' representatives on the task force also voted on Sun City obligations.

We need a membership vote. The RCSC had a vote at its regular meeting and could have included this, but the board knows it is putting an unwarranted burden on the poor with no gain for them in water, and the poor won't let them get away with it.

Surrounding entities should help with aquifer

JIM TREECE
SUN CITY

Winston Churchill said, "Men occasionally stumble on the truth, but most pick themselves up and hurry off, as if nothing happened."

On further review your reporter, John Sokolovich, talked to Robert Barrett of the Central Arizona Water Conservation District. While Mr. Barrett seems to want to help the water company, the major thing, he said, was that the recharge would benefit the aquifer we use in Sun City. He thought the benefit would be several years in coming.

Messrs. Jensen and Jones sold you a different opinion, and you editorialized in favor of the pipeline on that basis.

The issue with Mr. Barrett was when the benefit would occur and the 10 percent loss by evaporation he said would occur in recharge. He obviously doesn't know the pipeline would put water in a lake where there would be evaporation.

Timing for the water to reach the aquifer from the recharge basin was best studied by Warren Miller, who believes it will be a much

shorter time. Ask Miller about sink holes, which are not a problem here nor are they going to be. Sink holes are a scare tactic and not a real issue. It will be several years before the pipeline is done, too, and during that period the water we are paying Citizens for is being sold to a ditch company far from here. That isn't going to benefit the aquifer either.

I think it is better to have water in the ground heading to the aquifer than lost forever to irrigation. But the \$110 million question is whether Sun City will choose to recharge the aquifer for free with its allotment, or pay through the nose for the minor difference — if any — in evaporation.

And why is Sun City singled out to pay for saving the aquifer, anyway? Where are the plans of all the other cities and developments that pump water from it?

We are the patsy. We could have to pay the higher water rates, \$50 million in interest and another \$50 million in maintenance on this pipeline.

It isn't worth it. If they let you vote, vote "no."

My view

CAP water plan is one big scam

JAMES TEECE
SUN CITY

This is in response to Gene Zylstra's letter printed in your April 4 edition, titled "Wake up, Sun City." You are being scammed big time by Citizens Utilities, which has already duped the Recreation Centers of Sun City, as you can see from Mr. Zylstra's recent letter.

In fact, the RCSC currently has control of pumps and water rights worth millions of dollars. The RCSC would give up the right of control and could not interfere with Citizens' operation of the pumps for its own purposes under the proposed agreement with them. Why the utility commissioners are going along, you would have to learn from them. Here's what is happening and how you can best minimize its effects.

You are presently paying Citizens for Central Arizona Project water. Is that water being delivered to you or stored for you? No, it is being sold by Citizens to an irrigation group. How sweet it is! You pay and so do the farmers for the same water. You get two water.

Citizens plans to keep selling like that until the pipeline to the golf courses is built. Then it will come to

Sun City? No, not really. Citizens unloads its poor-quality water on the golf courses. Then it takes an equal amount of our sweet, potable water from the ground and sells it to new developments. Some of the new developments it is dealing with already have agreements with Citizens. Such a deal for Citizens!

But that is just the beginning of the scam. Citizens puts in the pipeline at your expense and then owns the pipeline. There will be no interest by Citizens in holding down the costs of building the pipeline, because whatever the cost is you must pay. You will also pay the heavy maintenance costs on the pipeline.

Citizens says this will cost about \$15 million, but maybe it will be twice that. You have no control. Citizens does not share its estimates and bids received with you.

How will this pipeline further help Citizens? Citizens is, in effect, the lender and you are the borrower of the costs of construction. So you will pay interest on that sum for 43 years, in addition to the maintenance costs. That could amount to another \$30 million debt that you are adding to your home.

Is that all? No! Your rates for water are based on the value of the

Citizens' system. The more the pipeline costs, the more your rates can go up, because the capitalization will have increased. The pipeline could double Citizens' capitalization, and thus double your rates on that account alone.

What can you do? Join the Sun City Taxpayers Association (of which I was a recent board member) in insisting that you have a vote on this Rube Goldberg pipeline and deep-six it.

There is an alternate plan by which we can save the same amount of water. It would put the water into recharge. This is a system bought and paid for by CAP that would cost us essentially nothing. Oh, Citizens still will sell the CAP water for which we are presently being charged, but you won't have to pay for the pipeline plus 43 years of interest, and Citizens will not gain control of our valuable water rights. Nor will Citizens double your water rates because it owns a pipeline you paid for and gave it.

The RCSC makes it sound like putting untreated CAP water on the golf courses preserves fresh drinking water for you. Wrong! Fresh drinking water is preserved for Cit-

izens to sell to new developments in the area. The same sweet drinking water will be preserved by the CAP water going into recharge to be sold by Citizens to new developments. We can't stop Citizens from getting a huge benefit from Sun City CAP water, but we can keep them from charging us more for the "privilege" of making it rich.

The Daily News-Sun seems to believe that to put the water into recharge would require the building of a basin by Sun City. Wrong! That facility is currently being built by CAP at no cost to Sun City and will be ready in a few months, not in several years.

Lastly, the RCSC contends that only the pipeline plan effectively provides water in the aquifer which is available to Sun City. This is patently false. In making plans for the recharge of the aquifer, the CAP determined beyond question that its chosen site would accomplish that purpose.

Don't let special interests push us into an expensive solution to a problem that can be solved at almost no cost at all! Don't saddle us with unnecessary debt and worse, with the potential of such debt as you never envisioned.