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**The Northwest Valley Taxpayers Assn. Inc.**

**10229 Edgewood Drive., Sun City, AZ 85351**

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ARIZONA CORPORATION COMMISSION  
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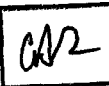
6/14/02 1 of 5

Arizona Corporation Commission

**DOCKETED**

JUN 18 2002

**FAX TO: Arizona Corporation Commission  
ATN: Marc Spitzer  
602 / 542 - 5560**

DOCKETED BY 

**FROM: Cliff Cowles, President  
Northwest Valley Taxpayers Assn. Inc.**

**Subj: Docket Nos. W-01656A-98-0577 & SW-02334A-98-0577  
Arizona Water Co. Pipeline Proposal for the Sun  
Cities and Youngtown**

**Marc,**

**I'm sorry but I just had to get this material to you for the record. I hope you'll pass it along to the other Commissioners.**

**Jim Treece and I met because of our mutual interest in the proposed pipeline being perpetrated on the residents of the Sun Cities and Youngtown and, the A.C.C if you will, by the Az-Amer Water Co. and its predecessor, Citizens Water.**

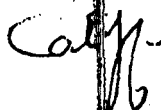
**Jim is currently serving on the Sun City Taxpayers Assn. Board. He served in Denver for almost ten years as a U.S. Attorney before retiring. He has documented a huge number of events leading up to the current state of affairs as related to the**

**Citizens/Az-Americawest (you'll excuse the utilities pun) for control of water resources in the northwest valley, which has been on going even before I came to the valley 13 years ago.**

**I've never seen this history so well and concisely documented as herein and I ask you to make it a slow read because of the multitude of facts and the powerful case the I think Jim makes to deny the Water Co. request.**

**Kindest regards,**

**Cliff Cowles**

A handwritten signature in cursive script, appearing to read "Cliff", written over the printed name "Cliff Cowles".

RCSC entered into an operating agreement with Citizens Utilities (now AZ-American) which was to be part of a previous water exchange agreement between the same parties. There are at least 4 reasons why the operating agreement should be unenforceable. I outline this to show how anxious the RCSC board and Citizens were to transfer for 86 years the most valuable asset of RCSC-its grandfathered groundwater rights. This agreement did not become public until SCTA demanded it be made a part of the rate increase proceeding before the Corporation Commission. Originally, RCSC was to give up 4189 a.f. of ground water for a like amount of CAP (river)water. Now RCSC was to give up 2500 added acre feet of ground water for no additional consideration. Reason 1. Thus the agreement is void for lack or absence of consideration.

In order to reach the 6600 a.f. of ground water agreed to be transferred by RCSC, it was necessary for RCSC to include 1500 a.f. of water owned by Sunland Mortuary, a part of SDI. By terms of the Sunland agreement with RCSC its leased water had to be used on Sun City golf courses. Citizens now planned to use some of it on golf courses in Sun City West and to sell any remainder to its customers. This leaves uncertain whether RCSC incurred liability to SDI for breach of contract with Citizens. RCSC may like to use my argument that the agreement is void for lack of consideration to save itself from liability. Citizens has promised RCSCW that it will deliver RCSC's ground water to RCSCW, instead of the earlier promised 2300a.f. of CAP water. In a separate deal RCSCW gave up to Citizens its 1000 a.f. of effluent water which RCSCW could have returned to the ground for like credit from the state. RCSCW also gave up all its Type I and Type II rights to Citizens. Citizens was to build a pipeline to carry 6500 a.f. to the recreation centers but now RCSCW was going to get RCSC ground water and doesn't want the CAP water. Citizens had concealed the added 5000 a.f. in pricing the pipeline to Sun Cities' ratepayers, but now needs only a small pipeline to carry 4189 a.f. only to RCSC (not the original 11,500 a.f.). Also since RCSCW is not getting CAP water, does it have to pay for any or maybe part of the smaller line? Who gets the 2300 a.f. of CAP water Citizens will not be giving to RCSCW? Is it RCSC? No one knows, because this is a shell game by Citizens. Reason 2. The agreement is voidable because of the inability of RCSC to perform.

RCSC and RCSCW had greatly different needs before their contracts with Citizens. RCSC had assured adequate good quality water for its golf courses. It operated without any involvement of the water company RCSCW was in need of water but if it had properly handled its effluent, it needed only a small amount of added water. Otherwise it sought 2300 a.f. of CAP water. Afterwards, RCSCW had apparently gotten its needs met by taking ground water from RCSC. RCSC then needed 4189 a.f. of CAP water. RCSC promised an added 2500 a.f. of its ground water to Citizens. The saving by RCSC of the water taken by RCSCW and Citizens for sale to its customers was the feel-good benefit RCSC was to get from the pipeline project in the first place. plus there was to be a 45% increase in domestic water rates by its members. Courts are quick to void contracts where the same lawyer is used by both parties and a major inequity results. In this case William Beyer, who may have had other conflicts, represented both RCSC and RCSCW. Reason 3. The agreement is voidable because of the conflict of interest of the attorney employed.

RCSC is not the owner of the water made available to its board for its conservation and proper use for recreation. Water rights are attached to property and so came to purchasers of houses from Webb, which acquired land and water rights from a cotton farm. Nothing in the charter suggests or intimates that the water placed with RCSC could be given away for no benefit whatsoever to its members. RCSC alienated for 86 years all of its water and even its pumping rights to Citizens on the representation that such as necessary to preserve ground water. In fact no ground water was saved. It was still being put on golf courses but now went on RCSCW courses instead of RCSC courses. RCSC suffered a detriment

by getting a less satisfactory type of water and its members had their water rates raised 45%. Lawyers call acts of the board of a corporation beyond their powers, "ultra vires". Reason 4. The purported sale of water by RCSC was void as being ultra vires and because the corporation did not own the water but held it in trust for its members-the true owners. Certainly without a vote of the members no such transfer was proper.

Before (Citizens') pipeline, Sun City had its own 40-year old irrigation system with ample water for its golf courses. Then Citizens grabbed all its grandfathered water and control of its pumps. That stolen water was easily worth millions per year to RCSC members. They got no say though in this unholy giveaway.

The river water, we get, has contaminants like salt. We're stuck again. If there are unexpected pipeline cost overruns anytime during the 86 years of the lease, we're stuck. water If our CAP water was in recharge salt and such added costs could not happen. Citizens' first big lie was that we were required to give it our groundwater. The second was that the water saved by use of CAP water would remain in the aquifer underneath Sun City and would always be available to Sun City, if ever it was needed. AZ-American (Citizens) now admits that lie and it is like taunting us by saying we really got you on that one. No one talks of renegotiating now that we know we were taken. AZ-American says now any water saved will be sold to its customers. We believed we were saving groundwater from being used for our golf courses. Now we learn that it will be used instead on RCSCW and Briarwood golf courses. We lambs were sheared and slaughtered. We give our water free to some of the wealthiest people in the area.

Citizens real motive in this whole scheme was to get control of all water resources in the area. It obtained by a similar agreement with RCSCW, to the one with RCSC, its ground water rights too. When it expanded our gift to include all of our groundwater it grabbed the valuable effluent rights of RCSCW. Intended and capable of taking care of all its needs. Now if RCSCW doesn't get our water it will have to buy water to replace its effluent water. Was that a legal transfer without a vote. Probably not. AZ-American to this day has its top three men, with everyone's lawyer(Beyer), acting as advisors to RCSCW board on water matters. Beyer may still be being paid. Do they think of us or Az-American first? One of these (Larsch) was the main witness for AZ-American at the recent ACC hearing. The pipeline is sweet for AZ-American. In a WESTCAPS ad, Citizens sought partners, at reduced cost, to expand its pipeline. Also there is an undisclosed 5000 af of capacity in the pipeline we are going to pay for. Citizens says That is for area golf courses. Those courses won't share in costs of the pipeline. Thus RCSC will not get 4189/6500 of pipeline but 4189/11,500. That will reduce our part from 60% to 35%.but we still have to pay 60%. ( An expert says 74%) all costs of the pipeline.

.There is one funny thing. It caused the miraculous resurrection of the task force which was dissolved in 1998. This figment was so Mr. Beyer could argue at the ACC for the pipeline.He admitted his family benefits too. Until recently Mr. Beyer also charged and represented Young town, which like Sun City will see a 45% rise in water rates. He wanted to keep a lid on it. It gets no conceivable benefit from the pipeline but, could throw a monkey wrench into his plans I hear Youngtown may be planning just that.

The fairness of this project can best be determined by a cost/benefit analysis. Sun City has more water by 1700 af than it uses on its golf courses. Our only benefit from pipeline is a feel-good benefit. RCSC gives up te use of, at least, 5889 a.f. of its ground water for 86 years. groundwater and under some scenarios 6600 a.f. An acre-foot serves 5 people. Even at \$100 per acre foot per year for 5889 af, the loss to RCSC members is \$589,900 per year.. Over 86 years that is \$50 million. In addition, Sun City pays added water rates of about \$60 or so per year per household or a couple of million more annually. That is \$172 million over 86 years for Sun City. Thus one sees it is a very expensive cost for feeling good. Sun City West probably does better. It has to give up water rights too, but it gets RCSC ground water instead.. Its members have to bear large rate increases also. If loss of effluent rights is considered, RCSCW's contract is a bad one too. Arizona-American Manager Ray Jones say this pipeline is like having a treatment plant. The water company puts 6500 af of CAP water on golf courses and takes out 5889 af of potable groundwater and sells it to its customers. It gets also a pipeline

built for which it can forever charge its new and old customers, because its "investment" is greater. It gets RCSC and RCSCW groundwater, which it can sell so, by far, it gets the best of us by its scheme.

Sun City ratepayers are hurt by having to give up their golf course water to other golf courses and thus having to pay for tainted water for their courses. It saves no groundwater, so gets no benefit, but certainly a net loss, especially when the value of its water is considered. In summary there is an alternate way of for all to obtain a fair benefit at a minor cost. That is by using the CAP water recharge facility. The cost of recharge benefits ratepayers much more than putting water on golf courses. The rate will not be sufficient to cause them "rate shock", which the state consumer group (RUCO) has said the pipeline project will cause. It makes the pipeline bad without taking loss of water rights into account. The present valuable water resources of Sun City residents can with recharge remain their property. And be leased in part for large sums. AZ-American and all residents are served well. No one takes advantage of the other nor grabs the rights of another. The water company should not be permitted to benefit outrageously from a campaign of misrepresentation, concealment, disinformation and misinformation waged against a gullible and patriotic citizenry of Sun City.

**The Northwest Valley Taxpayers Assn.**

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**FAX TO: Arizona Corporation Commission  
ATTN: Marc Spitzer  
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**FROM: Northwest Valley Taxpayers Assn., Inc.  
Cliff Cowles, President**

**Marc....some more thoughts that I hope you can take a  
moment to look over , all relevant to what I am now  
calling "the great water heist"**

**Sincerely,**



**Cliff Cowles**

**FAX to Marc Spitzer - 6/08/02 - A-A Pipeline Prop. - pg. 1 of 2**

**Marc,**

**There has been so much skullduggery promulgated by The Water Co. and individuals on the Rec. Center Boards in the recent past that I can't help but wonder if the Commission doesn't have to consider if it really wants to be a part of making a decision based on lies and deceit provided to it by the parties involved in the Az-Amer. Water Co. pipeline request?**

**Lies: 1. Az-Amer. said our (the Cities) water that would be replaced by CAP water would be "saved" and held for us if needed. The Task Force was clearly lead to believe that would happen and that statement was materially important in their decision process. It has since been admitted by the Water Co. that no such thing occurred or was ever considered .**

**2. That the Cities were required to give them (Water Co.) our water if they gave us CAP water. The Task Force was told that the ADWR required it. This is not and was not the case. Thus, another promise that was materially important to the Task Force decision that was a lie.**

**I am advised that these and other lies fall under the charge of "material misrepresentation".**

**Deceit: Rec. Boards from both the Cities effectively gave away the grandfathered water rights of both cities without giving the residents an opportunity to vote on the proposals.**

**Whether illegal or just morally wrong, those Boards are guilty of ignorance, negligence, misfeasance and maybe even malfeasance.**

Over the years there have been many other examples of overzealousness on the part of the Water Co. in order to try and gain control of what Del Webb intended to belong to the residents of both Cities\_ for perpetuity ... our grandfathered water rights.

As I said, I would hope that the Commission would not want to be a part of abetting the attempts of the Water Co. to bring harmful and perhaps illegal consequences on the Cities based on Water Co. lies and the deceitful actions of Rec. Board members.

Respectfully,



Cliff Cowles, President  
Northwest Valley Taxpayers Assn., Inc