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Competition in electric service OK'd

Action will open up power grid

By David Wichner
Staff writer

State utility regulators on Monday gave electric ratepayers the gift of competition, but there's no guarantee it won't wind up in the "returns" bin.

After a surprise appearance by Santa Claus, the Arizona Corporation Commission unanimously adopted final rules that will open up the state's power grid to competitive providers beginning in 1999 and fully open the market by 2003.

The rules are similar to an initial proposal approved in October with the addition of provisions to make it easier for

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KEY FEATURES OF THE PLAN

Highlights of an electric-competition plan approved by the Arizona Corporation Commission:

- By Jan. 1, 1999, utilities such as Arizona Public Service Co., Tucson Electric Power Co. and the state's rural electric cooperatives must make 20 percent of their peak demand loads available to competitors. For APS, that translates into about 40,000 residential APS customers and as many as a dozen big commercial customers.
- By 2001, 50 percent of each utility's demand must be opened to competitors, and its entire load must be opened to competition by 2003.
- The Salt River Project, a governmental body not regulated by the Corporation Commission, may compete equally by entering into an intergovernmental agreement with the commission.
- Utilities and their investors may recover "stranded costs" — capital costs in power plants

traditionally recovered through regulated rates — through fees charged to customers who sign up with competitors. However, the utilities must cut such costs as much as possible and prove their investments were prudent.

- Utilities must "unbundle" services into separate components, such as generation, transmission and distribution, and file separate rates by the end of 1997.
- Retail customers will be able to choose between "standard offer" service at regulated rates offered by their traditional utility or competitive-rate service offered by competitors.
- By 1999, utilities must get at least half a percent of their power from solar resources. By 2002, the requirement doubles to 1 percent.
- All power providers must meet technical standards to assure reliability, and a reliability work group may recommend further requirements.

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Commission provides way for SRP, APS to compete

-- COMMISSION, from page E1

the Salt River Project to compete.

"I think we found a pretty good compromise in our rules," Commissioner Marcia Weeks said. "Of course, there's a lot of things that some parties don't like."

The rules were tentatively approved and sent out for public comment in October despite objection that the proposal left too many unanswered questions.

Critical issues, including how monopoly utilities will recover major capital costs normally included in regulated rates, remain to be decided by several work groups scheduled to start meetings in January.

Such concerns have prompted at least one utility, Tucson Electric Power Co., to declare that it will formally ask the commission to reconsider the competitive rules. Parties to the rules may ask for reconsideration within 20 days.

"We just believe that the framework, while very good, needs some meat on it," TEP spokesman Alan Lee Bunnell said.

Arizona Public Service Co. also will consider appealing the rules, Executive Vice President Jack Davis said.

"We think it's an aggressive schedule, but with the right kind of structure, we could get there," Davis said.

Both TEP and APS said they will cooperate fully with the rulemaking process regardless of any appeal they may file.

Indeed, Monday's meeting was amicable, featuring a visit by a wisecracking Santa in the person of APS Chief Financial Officer Jaron Norberg, a longtime veteran of the

regulatory battles who is retiring at the end of the month.

Once the holidays are over, however, serious work lies ahead.

With the built-in procedural delay, any move to reconsider the rules would come before the next Corporation Commission, which will be controlled by Republicans: Commissioner Carl Kunasek and Commissioner-elect Jim Irvin, a Phoenix businessman.

Kunasek said he voted for the competitive rules as a "starting point" for competition though many key issues remain unsettled.

He said he would start immediately in January to flesh out the rules and implement competition even sooner than the deadlines if possible.

"My philosophy is ... to have utilities operate in a competitive, free-market environment," Kunasek said.

If the new commission refused to reconsider, utilities or other aggrieved parties could challenge the rules in court.

But Commission Chairman Renz Jennings said that the commission's powers have consistently held up in court and that utilities will be able to air their concerns as more specific rules are added.

"Most of the heavy lifting has yet to be done," Jennings said. "We wanted to do this now because we had been at this process for two years and it just would have petered out."

The commission removed one major objection by allowing the Salt River Project, a political subdivision of the state that serves 635,000 power customers in the Valley, to participate in competition by signing an intergovernmental agreement with the commission. The utility panel will be required to hold a hearing before approving such an agreement.

SRP General Manager Richard

Silverman said that without an intergovernmental agreement SRP may have had to seek legislation to compete.

Silverman also said he was pleased by the removal of one provision that would have required all utilities affected by competition to agree to SRP's market entry in writing before SRP could compete.

"It's inconsistent with the idea of competition to let your competitors define the terms by which you will compete," he said.

Davis said the APS welcomed a required hearing on SRP's intergovernmental agreement but is unsure its concerns will be fully addressed.

"It's unclear whether we will be signatories to that agreement," Davis said.

A spokesman for a business group supporting competition praised the rules.

"Competition in the electric industry is critical to all customers, which includes hundreds of thousands of workers we employ across the state," said Peter Woog, chief executive of Cable Systems International in Phoenix and energy chairman for the Arizona Association of Industries.

Meanwhile, the regulators acknowledged that the rules must protect residential consumers from being left without real competition — and left with higher rates — as business users snap up competitive power.

"True, the residential (market) will take a little longer, but I don't think they'll be harmed, either," Weeks said.

Kunasek said high-volume power users may be able to get better rates but vowed to prevent any unfair "cost-shifting" to small customers.

"There is really nothing guaranteed in a free marketplace," he said. "They're going to have to make an informed choice."

Court to review Quorum Commissions

By STEPHANIE BALZER
The Business Journal

U.S. Bankruptcy Court will examine pending changes in the commission structure of multilevel marketing company Quorum International Ltd., before they take effect on Jan. 1.

Phoenix-based Quorum International, known for its personal security alarms, filed for Chapter 11 reorganization Aug. 29, claiming it owed \$33 million and had assets of \$24 million. Unsecured creditors recently filed papers seeking a court-appointed trustee for the company's financial management, and expressing concern about chairman, president and CEO Raymond Hung's decision to change the structure of commissions paid.

The creditor's committee argues the com-

missions change would result in hundreds of thousands, possibly millions of dollars being saved in commissions, that would then be diverted to European affiliates that aren't involved in the bankruptcy.

Traditionally, Quorum pays commissions on sales from its highest level marketers, called "diamonds," all the way down through seven "generations" of distributors, according to court papers. The pending changes would restrict the amount of commissions collected by diamonds in the United States.

Diamonds would reap a profit on distributor sales in other countries only if their U.S. sales are at least 30 percent of their foreign total.

For example, if a diamond in the United States has distributors responsible for \$1 million in sales in Europe, that diamond will not

be paid full commissions on those sales unless also producing \$300,000 in sales in the United States.

During a status hearing last Monday, the court agreed to review the commission structure changes before the New Year, and encouraged creditors and company officials to work together, said attorneys representing both Quorum and its creditors.

"We will absolutely seek and will likely get an injunction" to prevent commission changes, said Tom Salerno, attorney from law firm Squire Sanders & Dempsey representing the committee of creditors.

Quorum attorney John Clemency of Streich Lang PA did not want to comment on the commission changes. "What Quorum is doing, is done in the best interest of Quorum, and we'll respond to it through proper court channels," he said.

Quorum's creditors also recommend the court appoint Daniel Williams, a CPA licensed in Arizona, to act as the Chapter 11 trustee, based on what they allege are operations riddled with "fraud, gross mismanagement, incompetence, dishonesty" and "massive conflicts of interest," according to court filings.

Another reason creditors cite to appoint a trustee is Hung's alleged extensive conflict of interest, said court papers. Notably, Hung indirectly owns one of Quorum's largest suppliers and allegedly continues to overcharge Quorum for products, court filings state.

Creditors also allege Hung is inciting

“What Quorum is doing, is done in the best interests of Quorum, and we’ll respond to it through proper court channels.”

John Clemency

Quorum to pay expenses for properties not owned by the company, many of which are located in Phoenix, with no benefit to the company, court filings state.

Quorum itself owns no real estate, according to court papers, yet has been paying the taxes, insurance, maintenance, utilities, and improvements for numerous properties owned or controlled by other Raymond Hung companies.

Kishor Kapasi, an executive with Quorum, acknowledged the payments at a meeting held in October with Price Waterhouse, court papers said.

Some of the Arizona properties listed in court papers owned by Hung entities are a large acreage next to the Price Club in Scottsdale; 320 acres near Desert Mountain, Scottsdale; 120,000 square feet for an office at 1550 W. Deer Valley Road, Phoenix, which is the company's corporate headquarters; 4.5 acres at One Columbus Plaza, Phoenix; and a residence at Gardiner's Resort on Camelback in Paradise Valley.

Clemency would not discuss Hung's property interests.

Fight the utility-bill blues this winter

by Julie Welsh
 Staff Writer

The weather outside is frightful but inside is so delightful — at least until people begin receiving their winter utility bills.

These bills are usually enough to bring some chills into any warm home.

However, the gas and electric companies offer several suggestions to trim home energy costs during the winter months.

Tom Broderick, manager of energy services with Citizen's Utilities, recommends people consider their energy source first. By converting to natural gas, a person could save three times as much as they would use in propane and 4½ times as much as using electricity.

Kent Jones, area manager for Arizona Public Service, thinks people should focus on the appliances that use energy to reduce utility bills.

The biggest energy users in a home are the heating and cooling units, he said.

BOTH AGREE that one of the simplest methods to help electric customers curb costs is to monitor the thermostat.

One way to do this is having a setback or automatic-timer thermostat. Broderick said. This is a thermostat that automatically lowers the temperature at night — while people are sleeping — and during the day — when no one is home. Then, it turns on before people wake up or come home so the house is warm.

This type of thermostat can save up to 25 percent of heating costs, he said.

He recommends at least a 10-degree setback. However, the longer the temperature is turned down and the lower the setting, the more a family saves, Broderick said.

Broderick cautions people to not set the temperature below 50 degrees because house plants might die and pipes in older houses might freeze.

Setting back the thermometer can also be done manually if a person does not want to purchase a setback or automatic-timer thermostat.

JONES REMINDS people that every degree the thermostat is set above 68 degrees could add as much as 5 percent to the utility bill for an all-electric home with an electric furnace.

Jones does not recommend turning the thermostat up just to warm up a home and then turning it down because that makes the heater stay on longer, which uses more energy, he said.

If a furnace is not energy efficient a person could replace it with an energy-efficient heat pump, Jones said. Using a heat exchanger, a heat pump warms the air in the house to the same temperature, instead of blasting hot air, he said.

If 68 degrees is too chilly, Jones suggests people:

- Keep from turning up the heat by using electric blankets, which is not a big energy user, or putting a sweater on — which costs nothing;
- Use a space heater for a short period of time or in a small place. A lot of people make a mistake of leaving a space heater on all night as the sole source of heat in a room, which is costly; or
- Purchase energy-efficient space heaters or one that is not electric. Ceramic bricks, for example, use oil and are fairly efficient.

TO HELP the thermostat be more efficient, people should keep warm air from escaping an older home by caulking and weatherstripping.

People should check door jams and window sills for leaks by shining a flashlight on one side of a door or window and have another person look for the light on the other side, Jones said.

Aside from weatherstripping and caulking, Broderick suggests that people who live in older homes ensure the attic has adequate insulation.

Installing storm or insulated windows also can help keep in the heat. Single-pane windows create a "heat sink" where the cold air will suck warm air out of the room, he said.

To reduce this effect, a person can attach plas-

medium and low settings on units that don't have numbered scales. This also is a level that won't scald children, he said.

For washing machines, people should use detergent that allows them to wash in colder water.

Instead of using scalding water to rinse dishes before putting them in the dishwasher, Jones suggests using lukewarm or cold water. The preheat cycle on most dishwashers will rinse most foods off, he said.

Another suggestion to keep the hot-water heater from working overtime is to monitor children's baths.

Children will tend to fill an entire bathtub with hot water, finish bathing in 10 minutes and wash the hot water down the drain. Jones encourages a more moderate use of hot water.

ANOTHER SIGNIFICANT energy user is the refrigerator. While this piece of equipment runs the same in any season, people should understand that it is cheaper to cool solid objects in a refrigerator or freezer than it is to cool air, Jones said.

The simplest thing to do is fill old milk jugs with water and put them in the refrigerator, he said. This will help keep other things in the refrigerator and freezer cold and keep the refrigerator from running as often.

At least once a year, people should pull their refrigerator out from the wall and clean up the coils, Jones said. The dust builds up causing the coils to heat up and the refrigerator run more.

Jones said many people ask him about lights and small appliances. This comprises only about 5 percent of all energy used in a home. Unless a home has a lot of light bulbs on, the savings is not significant.

Someone can save by using a crock pot or microwave instead of the oven, he said. Both use less energy than an oven.

SOME PEOPLE might think that an easy way to save money is to turn everything off when they go away for a few months. Both Broderick and Jones caution people to be careful of this.

Broderick said that turning the heat off in winter is dangerous.

Jones said turning off the electricity would save money, but people should talk to a contractor or builder about the possibility of the pipes freezing before making that decision.

Pipes that are not well insulated or are exposed could freeze and break.

Marta Stuart, a University of Arizona cooperative agent, recommends that if a person plans to leave for the winter and turn off the electricity, the person should turn off the main water source, turn on all faucets and let the water drain out.

The pipes also could be wrapped with fiberglass insulation for protection, she said.

6 Smart Steps to Prepare for Winter

- 1 Save up to 33% by installing a programmable thermostat
- 2 Save up to 15% by sealing and heavily insulating the attic floor
- 3 Save up to 10% by insulating your hot water heater and the pipes that lead to and from it
- 4 Save up to 8% by making sure your heating system is operating at top efficiency
- 5 Save up to 5% by caulking and weather-stripping around windows and doors
- 6 Save up to 3% by making sure the damper to the fireplace is tight fitting and closed when not in use

(Graphic courtesy of Hunter Fan Company)

Percentage of energy savings provided by Memphis Light Gas and Water and the Energy Efficiency and Renewable Energy Clearinghouse. Results may vary due to different conditions.

tic sheeting outside a window to add another layer and help keep in warm air.

Another way to help trap heat in the house is to open window shades during the day to let the sun warm a room. Then, at night, close the curtains or shades, Jones said.

A ceiling fan can be used to circulate trapped air within a home. By reversing the fan, cold air is drawn to the ceiling, mixed with trapped hot air and pushed back down as warm air.

AFTER THE furnace, the second biggest energy user is the hot-water heater.

People should check the thermostat on their hot water heaters. Sometimes when the heaters come from the manufacturer, they are set at a high level, Jones said.

Jones recommends that the thermostat be set no higher than 120 degrees or between the

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commission's assistance in obtaining information on Mexican strawberry growers who could supply Diamond's Caborca juice plant with raw materials.

Emmermann immediately forwarded the company's request to her Mexican counterparts on the commission with a terse warning: "I can't stress enough the importance of Diamond Management Inc. as a major player in the Arizona market."

And Symington has shown an interest in Diamond's Mexican business activities—an interest that has extended all the way to the office of President Ernesto Zedillo. On May 14, on the heels of a grueling deposition in his bankruptcy case, Symington flew to Mexico City to meet with Zedillo. Accompanying the governor on the trip were two Arizona-Mexico Commission officials, Emmermann and commission president Carol Columbo.

But the governor also brought two Arizona businessmen to the meeting with Zedillo—Fife Symington IV and Don Diamond. State records indicate Symington also invited the senior and junior Caneloses to meet with the president. But the Caneloses did not attend the meeting, Columbo says.

Diamond was to explain to President Zedillo the problems American businessmen face in Mexico, particularly the inability of foreign and Mexican banks to place liens on personal and business property pledged as collateral for loans, Columbo says.

After the meeting, Governor Symington had a private lunch with President Zedillo and Mexico's minister of foreign affairs, Angel Gurría. The men reportedly discussed U.S.-Mexico relations, particularly those involving the states of Arizona and Sonora.

Diamond apparently was delighted with his opportunity to meet President Zedillo. The governor also was pleased that Diamond attended the meeting.

"I feel our private meeting with the President was fruitful for all involved," Symington said in a handwritten note to Diamond.

The governor seemed particularly pleased that he and Diamond had time to discuss other matters.

"I really enjoyed our extensive chats," Symington wrote.

Over the past few years, and especially in the past few months, Governor Symington and Sonoran Governor Manlio Beltrones have promoted efforts to bring major developments to Puerto Peñasco and other coastal cities in Sonora, particularly San Carlos, a resort community north of Guaymas built around a beautiful natural harbor.

The Sonoran government and private developers are seeking to build a \$500 million resort town 15 kilometers south of Puerto Peñasco called La Pinta. But that effort has been stalled: local landowners claim the state improperly took their land.

Another, even larger project is in the works just north of Puerto Peñasco. Governors Symington and Beltrones were briefed last month during a private breakfast meeting with select members of the Arizona-Mexico Commission about plans for a \$1 billion megaresort. The Laguna del Mar project will be built by Grupo KL and is to include hotels, golf courses, housing and a marina over 3,500 acres.

Details of the Laguna del Mar project are sketchy. The principals of Grupo KL are Phoenix architect Peter Lendrum, Phoenix

developer Michael Lafferty and Mexican developers Francisco and Juan Kladt. The project claims to have \$90 million for the first phase of construction. Interviews with contractors for the Laguna del Mar project indicate work is set to begin in March.

The Mexican federal, state and municipal governments are expected to contribute millions of dollars in infrastructure improvements in Puerto Peñasco to facilitate Laguna del Mar and other developments now on the drawing board.

Diamond's businesses have been involved in Puerto Peñasco for years and recently have been acquiring beachfront real estate here, according to published reports and interviews with real estate agents in the community, located 60 miles south of the Arizona-Mexico border crossing at Lukeville.

Diamond, who did not return several phone calls seeking comment, reportedly is part owner of a vast strip of land called Sandy Beach that stretches between Cholla Bay and the town of Puerto Peñasco. That land lies near the proposed Laguna del Mar megaresort and would likely increase in value if the resort is built. Diamond was quoted recently in the *Puerto Peñasco Journal* saying he supports Mexican efforts to bring resort development and casino gambling to beachfront resorts.

"It would be a phenomenal deal," Diamond is quoted as saying in the *Journal*. "The Sea of Cortez is a gold mine, a marvelous opportunity for all of us."

Business deals aren't the only attraction Mexico offers to Governor Symington. He also enjoys scuba diving and fishing trips in the Sea of Cortez.

So when an offer came from Sonoran Governor Manlio Beltrones to spend a few days at his beachfront house on Miramar Beach in Guaymas, it was something Symington did not pass up. The governor, his wife and their three young children—Richard, Tommy and Whitney—all hopped aboard the state airplane. It was noon on Thursday, July 11.

The family, along with a DPS security guard, arrived in Guaymas 90 minutes later. The entourage headed to Beltrones' beautiful, modern home in an exclusive enclave along Miramar Beach. There, the palm-tree-lined beach curves gently around a wide bay. Cactus-covered buttes stand in sharp contrast to the blue water, making this an idyllic spot for a getaway.

The governor had no official business in Mexico the day he arrived. And none the next day, a Friday. According to his daily calendar, he met with Governor Beltrones for 30 minutes on Saturday morning over coffee. Saturday evening called for a casual dinner at the house with Juan Alberto Gutierrez, Beltrones' chief of staff, and Gutierrez's wife.

Meanwhile, the Symington family enjoyed all the amenities of beachfront living, thanks to Governor Beltrones and the people of Sonora.

Symington and his family remained over Saturday night, heading back to Phoenix at 2:30 p.m. on Sunday aboard the state aircraft. Other than the coffee and the dinner, state records make no mention of official business being conducted during the governor's stay. Symington reported that no state expenses had been incurred during the trip.

DPS records show the state plane made at least two round trips between Phoenix and Guaymas while shuttling Arizona's first family on its Mexican minivacation.

The cost to taxpayers: \$3,016. ■

Mexico

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American wholesalers at a price averaging 18 percent below the cost of production.

Last spring, the Fresh Produce Association of the Americas, a trade group made up of Mexican growers and their Arizona distributors, asked Governor Symington for help in fighting the Florida farmers. Symington took up their case and vigorously pressed the Clinton administration and Congress to allow Mexican farmers unfettered access to U.S. markets. At the time, it was not generally known that the Symington family had a financial interest in the Canelos farming operations.

In October, the U.S. Commerce Department and Mexican growers reached an agreement that sets a minimum price of \$5.17 a box for tomatoes entering the United States—a price about twice as high as what Mexican tomatoes were selling for a year ago.

The price floor is expected to be a boon to the major Mexican tomato exporters, such as the Canelos family. Consumers will see higher prices, but better quality, says Michael Shrader, controller for Al Harrison Company in Nogales.

Shrader expects the large Mexican producers to benefit from the price floor because they will be able to continue to ship into the U.S. most, if not all, of the tomatoes they produce—and then sell them at much higher prices than they have been receiving. Smaller Mexican growers and the less well-connected distributors will likely suffer, because the price floor will probably reduce demand for Mexican tomatoes, shutting some of these growers out of the market.

Governor Symington reiterated his strong support for Mexican tomato exporters last month during a meeting of the Arizona-Mexico Commission in Scottsdale. "I'm so partial to Mexican tomatoes," Symington said. "Compare Florida tomatoes to Mexican tomatoes, and Mexican tomatoes always win in my book. Don't you agree?"

Governor Symington did not decide to take up for Canelos and the other Mexican growers on a whim. The governor and the Canelos family were well-acquainted, thanks to the taxpayers of the state of Arizona.

The Department of Public Safety owns a \$1.7 million King Air twin-engine, turboprop



The governor's adult son, J. Fife Symington IV, stayed free of charge at the San Luis Linda Vista in Culiacan; Arizona taxpayers picked up the bill.

aircraft that is stored at Sky Harbor Airport when not in official use. At 3 p.m. on October 9, 1995, Governor Symington welcomed two state officials—Dorothy Bigg of the Commerce Department and Agriculture Department Director Keith Kelly—aboard the plane. A couple of the governor's favorite private citizens—Fife Symington IV and his partner, Alejandro N. Canelos—also boarded.

The entourage was on its way to Culiacan for a two-day trade mission and official state visit sponsored by the Arizona-Mexico Commission.

The governor's son and the younger Canelos flew free of charge, even though, DPS reports, it costs \$1,140 to operate the nine-passenger state airplane each way between Phoenix and Culiacan.

A dozen or so less favored Arizona business leaders paid \$350 to \$400 for commercial round-trip tickets to Culiacan for the trade mission.

After the two-and-a-half-hour flight, the governor and his son were transported to one of Culiacan's few five-star accommodations, the Hotel San Luis Linda Vista. The hotel, sitting atop a hill next to a magnificent Catholic church, provides a panoramic view of the city of 600,000, spread out at the base of the Sierra Madre Occidental.

That evening, state records show, Governor Symington had a private meeting with Sinaloa's governor, Renato Vega, and then attended a dinner sponsored by Mexican government officials and business leaders. The next morning, Symington got down to business—personal business.

State records suggest the governor and

The governor also brought two Arizona businessmen to the meeting with Mexican President Ernesto Zedillo—J. Fife Symington IV and Don Diamond.

his son split off from the rest of the state delegation to have a private breakfast with Alejandro Canelos at the Canelos family home on the outskirts of Culiacan. The governor's agenda indicates the Symingtons and Caneloses were to meet for more than two hours.

Records obtained by *New Times* do not reveal the topic of conversation. But the meeting came less than two months after a "J. Fife Symington" joined the two Caneloses on the board of directors of Melones Internacional, according to Mexican corporate records.

Governor Symington has taken great efforts to promote the business interests of the elder Canelos, at the same time he has strongly supported Mexico in the public arena.

In addition to lobbying in support of Mexican tomato growers, Symington vigorously pressed the Clinton administration and Congress to support

Mexico with \$40 billion in loan guarantees during the Mexican financial crisis that came in the wake of a 1994 devaluation of the peso. Symington also urged the Clinton administration this year to certify that Mexico has pursued a strong drug interdiction policy—a certification

that Republican presidential nominee Bob Dole strongly opposed.

These two actions earned Symington high marks with Mexican President Zedillo and opened the door for extensive communications. Arizona public records indicate those communications were not limited strictly to state business.

On March 3, 1996, President Zedillo sent Symington a letter thanking him for his continued support of the North American Free Trade Agreement. Before inviting Symington to a luncheon "with a group of good friends," Zedillo updated the governor on the business prospects for the Symington family's Mexican partner, Alejandro Canelos.

"I have asked our Secretary of Agriculture, Mr. Francisco Labastida, to have a meeting with Mr. Canelos regarding the ethanol project," Zedillo states in his letter to Symington.

Public documents do not reveal what role Canelos or Symington have in the "ethanol project," or what that project entails.

After the breakfast meeting at the Canelos home in Culiacan, the governor rejoined the trade mission, which included meetings with Mexican government and business leaders. The governor returned to Arizona later that afternoon.

But just as Fife Symington IV didn't pay for his air flight to Culiacan, he also didn't pick up his hotel bill. The state of Arizona did.

The governor's top Mexican policy adviser, Arizona-Mexico Commission executive director Margie Emmermann, paid the younger Symington's \$78 hotel bill by credit card, state records show.

Her expense report sought a \$659 state reimbursement for hotel, restaurant and bar expenses for the governor, Reuben Alvarez of the Arizona-Mexico Commission and herself. These expenses were legitimate. But records reveal she also included the hotel bill of Fife Symington IV in her request for reimbursement, without identifying that expense.

Emmermann declined to return repeated phone calls seeking comment.

Governor Symington's interest in promoting Arizona businesses in Mexico doesn't stop with his family. The governor also has demonstrated strong personal support for the Mexican business activities of Tucson business magnate and real estate developer Don Diamond.

A former owner of the Phoenix Suns, Diamond has numerous Mexican business interests, including a \$3 million juice production plant in Caborca, Sonora, and extensive real estate holdings in Puerto Peñasco, a Sonoran resort at the northern tip of the Sea of Cortez.

Diamond is also among the top Arizona contributors to state and national politicians, including Symington. And he has helped Symington in other ways, donating \$10,000 to Symington's legal defense fund sometime between May 1 and July 31 of this year, according to state records. The fund was set up to help the governor pay legal bills stemming from a 23-count federal indictment accusing him of bank fraud, perjury and extortion.

Diamond's was the largest single contribution to the fund as of July, records show.

Diamond's clout with the Symington administration is well-known. In June 1995, one of the magnate's firms, Diamond Management Inc., sent a letter to Margie Emmermann, executive director of the Arizona-Mexico Commission, seeking the



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Sonoran Governor Maricel Sofronios' beach home on Miramar Beach in Coahuila, where the Symington family took a weekend vacation.

Mexico

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Arizona's governor, J. Fife Symington III, or his son, J. Fife Symington IV (or, for that matter, J. Fife Symington Jr., the governor's other).

Using the name "J. Fife Symington" in business documents without generational designation is a departure for the Arizona Symingtons. Here, the two men have been careful to separate their business interests. Arizona Corporation Commission records show the governor affixes "III" and his son "IV" to their names in corporation filings.

The records obtained by *New Times* for Melones Internacional do not include a signature for J. Fife Symington. The Culiacan attorney who prepared the papers, Juan Jose Ruiz, said corporate directors are not required to provide signatures for incorporation filings. He said he prepared the incorporation papers at the request of attorneys who work for the Caneloses. He also said he was unaware that there was more than one J. Fife Symington.

The governor's attorneys have repeatedly denied that Governor Symington has financial interests in Mexican businesses. The governor and his son declined to return calls seeking explanation for the Symington entry in Melones Internacional incorporation documents.

Symington's bankruptcy attorney, Robert Shull, said last Friday the Symington listed as a director of Melones Internacional is the governor's son, J. Fife Symington IV.

"I am telling you that that person who is a director is J. Fife Symington IV," Shull says.

Shull says the governor "has no interest in this organization whatsoever." He says the younger Symington is both a director and an investor in Melones Internacional.



The state Department of Public Safety's \$1.7 million turboprop aircraft, which the governor used to travel with family and friends to Mexico.

"J. Fife Symington" in Mexican corporation records a major breakthrough in the governor's bankruptcy case.

"This is one of the most significant investigatory developments in this Mexico line of inquiry," Manning said.

Manning represents a consortium of union pension funds seeking to block Symington's effort to erase \$26 million in debts in U.S. Bankruptcy Court. The governor owes the pension funds \$12 million stemming from his failure to repay a loan for the Mercado development in downtown Phoenix.

Last summer, Manning raised concerns in court pleadings that Symington may have hidden business interests in Mexico and

& Canelos Industries, Inc., in Arizona. The company is registered to manufacture, distribute and sell lumber products. Produce-industry sources say the company sells crates that are used to transport fruit and vegetables. The two younger men joined forces again in December 1995 on the board of directors of Fruit Stand, Inc., a company that sells fruits and nuts in shopping malls.

Neither enterprise, however, appears to be on the same level of sophistication as Melones Internacional.

Mexican government records reveal that Melones is chartered as more than just a melon-growing concern. The company's charter also allows it to conduct commercial and residential real estate activities. And,

since its stock is controlled by Mexican nationals, the company gives its directors, including J. Fife Symington, access to real estate along coastal areas and international borders that foreigners otherwise are forbidden to own.

Certain coastal areas of Mexico are expected to undergo significant development in coming years, especially if the Mexican Congress approves legalization of casino gambling, as has been recently discussed. A number of resort towns frequented by the governor, including San Carlos and Puerto Peñasco in the state of Sonora, are included in the list of cities that could receive casino permits. In fact, Governor Symington has been active in promoting resort development in Sonora, through the

Arizona-Mexico Commission, a group of gubernatorial appointees that works to promote cross-border trade and cultural ties.

Mexican incorporation records also reveal a tight relationship between the senior Canelos and the "J. Fife Symington" involved in Melones Internacional.

J. Fife Symington IV has Arizona business ties with the younger Canelos, who is listed as secretary of Melones Internacional. Incorporation records for Melones Internacional, however, specifically link the elder Canelos and "J. Fife Symington," granting them the power to obtain credit from Mexican and foreign institutions and to open and operate checking accounts. The

incorporation papers do not grant the younger Canelos the same powers.

At a minimum, the corporate records for Melones Internacional show the Symington family has a significant financial connection to one of the wealthiest families in Mexico. And if the J. Fife Symington listed in those records is the governor, he could face criminal or civil penalties. Federal law requires him to disclose his business interests to the bankruptcy court, and state law mandates that he file his corporate affiliations each year with the secretary of state.

The governor has not listed Melones Internacional as a business holding in either forum.

Although it remains unclear which Symington is a director in Melones Internacional, state records reveal that Governor Symington has used his office to further the Canelos family business—an enterprise in which the Symington family has a direct financial interest—by intervening at high levels of the U.S. and Mexican governments.

And the Symington family's role in Melones Internacional is just one of several intriguing connections among Arizona's first family and Mexican business enterprises. Many of those connections, government documents reveal, have been facilitated by what appears to be the governor's misuse of state resources.

Records show that the governor has used the state plane and other state resources to further the business interests of his son and one of his strongest financial supporters, Tucson business magnate Don Diamond.

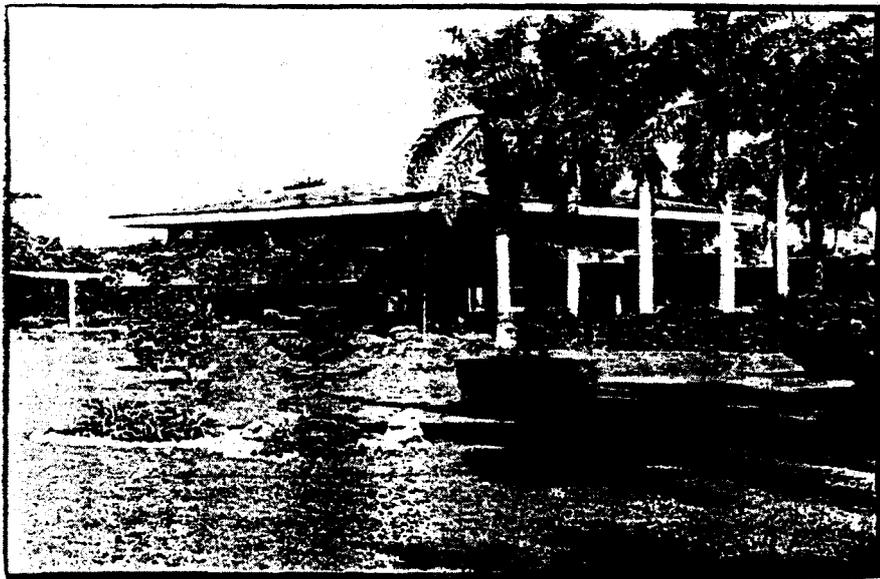
Records obtained by *New Times* show that Governor Symington has used a jet airplane owned by the state in a number of seemingly inappropriate ways.

Sometimes, the apparent abuse has been small-scale. For example, this summer the governor's family was flown at state expense to and from a vacation in Guaymas, Mexico, that seems to have had little, if any, public purpose.

But state records also reveal that the governor has used the state's nine-seat turboprop King Air for more important, and more clearly improper, purposes.

Those records show that the governor has used the state plane and other state resources to further the business interests of his son and one of his strongest financial supporters, Tucson business magnate Don Diamond, by bringing them into contact with influential figures in Mexico—including the Canelos family, the governor of Sonora, Manlio Beltrones, and the Mexican president, Ernesto Zedillo.

Governor Symington's most intriguing Mexican connection is based in Culiacán, violence-plagued city located in the Mexic
Continued on page 24



The Culiacán, Mexico, headquarters of Mexican agriculturalist Alejandro Canelos.

Shull offered no documentation to support his statements. He said he had a conversation with the governor about the matter. "Mr. Symington III states unequivocally it is not him, it is his son," Shull said.

Shull subsequently held an impromptu press conference, telling reporters for other news organizations that *New Times* was preparing a story about Melones Internacional, and repeating his assertion the governor was not involved with the firm.

While Shull downplayed the importance of paperwork connected to Melones Internacional, his opponent in bankruptcy court, union pension fund attorney Michael Manning, called *New Times'* discovery of a

asked the court to require Symington to provide his state telephone records. Bankruptcy Court Judge George Nielsen declined, saying that Manning should seek the documents under the state public records law. Symington has refused repeated requests from media outlets to provide copies of his telephone records, saying the records are exempt from the public records law.

There are clear business connections between two scions of the Symington and Canelos families, J. Fife Symington IV and Alejandro N. Canelos. The sons, each in his mid-20s, have been business partners since March 1994, when they formed Symington

Timothy Archibald

John Seeger

Nov Times December 24, 1993

Mexico

Continued from page 23

state of Sinaloa and reputedly controlled by powerful Mexican drug cartels.

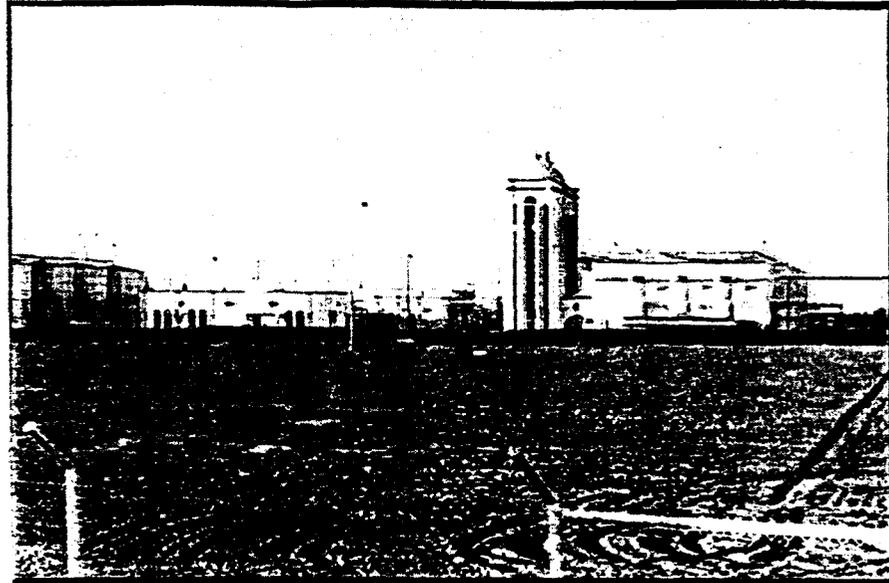
Gangland-style murders kill more than 600 people a year in Culiacán. Victims have included the former Sinaloan attorney general. The city is well-known as a staging and shipping area for narcotics grown locally, as well as those coming from Central and South America.

The governor and his son, Fife Symington IV, have become very close to one of the most powerful figures in Culiacán's legitimate business sector, Alejandro Canelos. Canelos and his brother Constantino control one of Mexico's largest and wealthiest farming conglomerates.

For at least several decades, the Canelos family has operated one of the largest produce farming operations in Mexico, if not the world. In 1986, the *New York Times* described the Canelos family as one of the world's largest growers of tomatoes, bell peppers, cucumbers and melons.

The family controls huge irrigated farms near Culiacán and Los Mochis, an agricultural center 100 miles northwest of Culiacán. The Caneloses also are developing new farms near El Fuerte in northern Sinaloa, a region where the government is completing a massive dam and irrigation project along the Fuerte River. The family also controls a large grape plantation near Hermosillo, the capital of Sonora. And the Canelos operation extends across the Sea of Cortez to a large farming center in Northern Baja California near the town of San Quintín, about 150 miles south of Tijuana.

These far-flung farms allow the family to grow produce on nearly a year-round basis. The family ships the produce to North America through San Diego and Nogales,



Tucson businessman Don Diamond's juice manufacturing plant, on the outskirts of the Sonoran town of Caborca.

where it is distributed through a family-owned company, GAC Produce, under the ABC marketing label.

The Canelos family is secretive and shuns the press. Securities records and news reports suggest the family's businesses are privately held. Most competitors and trade associations contacted by *New Times* were unwilling to discuss the Canelos businesses.

In a brief interview last summer, Alejandro N. Canelos refused to answer questions concerning Melones Internacional and its relationship with Governor Symington.

"We don't tell anybody anything about it, because we don't want our competition to know what we are doing," Alejandro N. Canelos said then.

Company officials refused to return calls to its GAC distribution warehouse in Nogales, Arizona, and to the senior Alejandro Canelos at his farming headquarters in Culiacán.

There are bits and pieces of information about the family scattered in news reports. In 1986, the Canelos farms were the focus of an unflattering *Los Angeles Times* news story that described the harsh living conditions

Mixtec Indian farmworkers endured in Canelos-owned work camps in San Quintín.

"We were put there in goats," one Mixtec farmworker said then.

Many of the children were stricken with dysentery and other digestive-tract ills. Childhood deaths were common. Working conditions for adults, who earned about \$3 a day, were also dangerous.

The story told of a Canelos-owned truck that overturned on a highway, killing 21 farmworkers who were riding in the back. Company officials later admitted that the brakes were faulty, according to the *Times*. The Caneloses paid the family of each victim the equivalent of \$2,300.

The Caneloses are well-known among U.S. produce growers, particularly Florida growers, who view the Mexican farmers as economic threats to the Florida vegetable industry. Last spring, Florida growers filed a complaint with the International Trade Commission and the U.S. Department of Commerce, accusing Mexican growers, including Canelos, of selling tomatoes in the United States below the cost of production in Mexico.

U.S. investigators determined that Mexican tomatoes were being sold to

Continued on page 26

John Dougherty

DEC 26 1986

NEW TIMES
Phoenix, AZ
Cir: 140,000 wk
ReadSearch Clipp

The

MEXICAN

2 New Times December 26, 1986 - January 1, 1987

A New Times
Investigation
By John
Dougherty

Peering through a plastic lined
chain-link fence at a greenhouse
operated by Melones Internacional,
SA de CV, a Mexican company whose
directors include a J. Fife Symington.

Connection

How Governor Symington misused state resources to further the cross-border business interests of his friends and family.

The taxi comes to a halt on a two-lane paved road bisecting Villa Juarez, a bustling, peasant farming town in the heart of one of Mexico's most fertile farming valleys.

A herd of cattle blocks the road, paralyzing traffic on this busy farm highway about 25 miles south of Culiacán, the capital of the state of Sinaloa.

A couple of horse-mounted cowboys wearing wide-brimmed hats prod at 30 or so longhorned cattle. The animals prove reluctant; traffic quickly backs up.

Several flatbed trucks idle roughly. The backs of the trucks are jammed with young men and teenagers pressed against wooden slats. The convoy is ferrying the field workers to nearby farms owned by a few fabulously wealthy Mexican families.

Semi-tractor trailers pump diesel fumes into the afternoon air. The trucks are coming and going from packing plants, where they collect produce for shipment 600 miles north to Nogales, Arizona, and into U.S. supermarkets.

But no one is going anywhere until the cattle move.

With a series of sharp whistles, the cowboys steer the last few stray cattle off the main highway. The taxi drives south a few more miles and then turns west, down a narrow dirt road that passes *campesino* settlements, where farmworkers live in tin sheds and household water is gathered from pesticide-laced irrigation canals.

On the horizon, several dozen long greenhouses dot the landscape. But obtaining a close-up view of the greenhouses is almost impossible. The greenhouses are surrounded by a chain-link fence with three strands of barbed wire across the top. Sheets of plastic are attached to the fence. A guard refuses to let visitors enter.

Farmworkers say melons are grown and harvested in the greenhouses. Then they are sent to a nearby packing shed, where some are shipped to Japan. The planting season is in the spring, with harvest in fall.

The greenhouses mark the home of Melones Inter-

nacional SA de CV, a joint venture between one of Mexico's wealthiest men, Alejandro Canelos, and someone named J. Fife Symington.

The question is: Which Fife Symington?

May 20, 1996. Skeptical attorneys are grilling the wife of Arizona Governor J. Fife Symington III. The governor has filed bankruptcy. The attorneys don't believe he's as destitute as he has claimed and are questioning his wife under oath, looking for hidden assets.

"Are you an investor in any partnerships currently?" Phoenix lawyer Jeffrey Goulder asks Ann P. Symington.

"I have an investment in Melones Internacional," the governor's wife replies.

"What is Melones?" Goulder asks.

"It is a fruit-growing concern in Sinaloa," Mrs. Symington replies.

The business, she testifies, is operated by her stepson, J. Fife Symington IV. Mrs. Symington tells Goulder she invested \$25,000 in the partnership, which her son was syndicating. The investment was made in November 1995, two months after her husband filed bankruptcy, claiming he had \$26 million in debts and a mere \$62,000 in assets.

During the deposition, however, Goulder did not learn several important facts about Melones Internacional. He didn't learn that it is part of one of the largest farming operations in the world. He didn't learn that Melones Internacional is more than a simple agricultural partnership. He didn't learn that Melones Internacional's president, Alejandro Canelos, is one of the wealthiest and most powerful agriculturalists in Mexico.

And Goulder didn't discover that one of Mrs. Symington's close family members is on the board of directors of Melones Internacional. A family member by the name of "J. Fife Symington," according to incorporation records *New Times* obtained in Mexico.

Those records do not specify whether this Melones International director is

Continued on page 23

DEC 19 1996

TUCSON DAILY

CITIZEN

Tucson, AZ

Cir: 65,000

ore-2.5

'Solar city' here gets new tenant

By JONATHAN J. HIGUERA
Citizen Business Writer

It makes perfect sense: An energy-saving product should be built in an energy-efficient plant in an energy-conscious development.

Global Solar Energy, a company created this year by a partnership between Tucson Electric Power Co. and ITN Energy Systems of Denver, announced today it will become the first business tenant in the Civano development.

Its \$1.5 million facility will be constructed in the development's 10-acre "environmental technologies park" and leased to Global Solar.

It is being touted as the "green-

est" and most energy-efficient industrial plant ever built in Arizona.

Civano is considered one of the country's most-ambitious developments in its use of energy-saving techniques and traditional community-style living.

It is on 818 acres east of Houghton Road and south of Irvington.

"The sustainable attributes of the building embody the concept behind Civano and are reflective of Global Solar's commitment to sustainable energy sources," said Charles Bayless, TEP president, chief executive and chairman.

Global Solar Energy will produce annually about 255,000 square feet of its new kind of mate-

rial that converts solar energy to electricity. The new kind of solar cells are thin, light, flexible and durable. Other solar panels tend to be rigid, heavy and easily damaged.

So far, Global Solar has received more than \$20 million in capital and contractual commitments for the product's use.

Global Solar will employ 40 to 45 workers, with two-thirds of employees in highly skilled, professional jobs.

The 71,000-square-foot plant will be built by a subsidiary of Case Enterprises, Tucson IB Inc.

The building is expected to be completed in May and production is expected to begin in June.

Case is the senior partner in the

development of Civano and has specialized in mixed-use developments on the East Coast.

"This building will be an ecological model for commercial and industrial construction worldwide," said David Case, president of Case Enterprises.

Among its features will be:

- A superinsulated shell.
- Solar-heated water.
- Water "harvesting" for irrigation
- Rammed-earth landscape walls.
- And solar-powered parking lot lighting.

The architect is Tucson-based Goldstein, Roubos, Petrick & Associates Inc.

Case officials said several other companies have inquired about moving into the environmental park but no other commitments have been made.

About 3,000 residential units are expected to be built in Civano which has received financial backing from the city and state.

"To have a workplace located within walking distance of a residential area is key to a sustainable community," said Case's Scott Andrews.

In addition to a business park and homes, it will include a village center, small retail shops and recreation areas.

Solar company kick-starts development at Civano

Civano, also known as the "solar village" development, will kick-start its energy-conscious community with the entrance of Tucson Electric Power Co.'s affiliate, Global Solar Energy.

Civano developer Case Enterprises and its subsidiary construction company, Tucson IB, will construct a \$1.5 million facility, to be leased back to Global Solar.

A manufacturer of photovoltaic systems, the company is expected to employ more than 40 workers, a majority of whom will be highly

skilled workers earning an average of \$20 per hour, said John Laswick, project manager of Civano for the City of Tucson. That number could increase to 100 people in three to five years, he said.

The solar company is bringing a relatively new industry to Tucson as well as providing the best possible introduction of Civano to the community, said Mr. Laswick.

"That we were able to land a company of this significance (sends) a strong signal to the community," he said. People will see that parts of

the 1,100-acre Civano development will have the character of an environmental technologies park, said Mr. Laswick. About half a million square feet of space is set aside for commercial purposes.

Civano, a project paid for in part by the city and state, is being designed as one of the few sustainable communities of its kind in the country. Planned as a self-contained community, homes, business, roads and many other aspects will be built for energy efficiency, said Mr. Laswick.

A grand opening for the community is expected next fall, when the first neighborhood center will open, he said. Residential construction should begin shortly thereafter.

Mr. Case said the "Civano project will allow residents to live, work, play, learn and shop within a single development. In essence, this design combines the charm of the older, tree-lined neighborhoods with the design and sustainable technologies of today."

Mr. Laswick said the approxi-

Please see Civano Page 2

CIVANO

From Page 1

mately 30,000-square-foot Solar Energy facility, which could grow to 71,000 feet, embodies that concept.

With electric-vehicle charging stations, solar-powered parking lot lights, and recycled brick walls, Mr. Case said the building could be "the greenest, most efficient industrial building ever built in the state. This building will be an ecological model for commercial and industrial construction worldwide."

Construction should be complete by May 1997 and production started in June 1997.

TEP is a 50 percent owner of Global Solar, which incorporated as

a TEP subsidiary on May 7, 1996. So far, the affiliate has received \$20 million in capital and contractual commitments, according to a statement prepared by TEP.

Global Solar has developed a product, only 1/20th the thickness of paper, that can convert the sun's energy into electricity.

The manufacturing process uses a new class of solar cell materials called copper indium diselenide. The cost of production is one-half to one-third that of other existing solar energy technologies, the TEP statement said.

Military and aerospace uses are strong markets for the company, but as production ramps up, the solar cells could serve commercial purposes, said Mr. Laswick.

DEC 19 1996

ARIZONA REPUBLIC

Phoenix, AZ

Circ: 340,000 (Dly)

485,000 (Sun)

Public-offering rules changed

The Securities and Exchange Commission is scaling back 40-year-old rules aimed at preventing manipulation of securities offerings, a move long sought by Wall Street.

The changes adopted Wednesday exempt people involved in public offerings of big, actively traded stocks from several rules. About 1,900 U.S. stocks and several foreign issues fall under the category.

The rules are meant to prevent traders from artificially inflating a company's stock price before the offering, thus making extra money.

But since it has become harder to corner the market in a big stock such as IBM or AT&T without arousing suspicion from analysts or other investors, the SEC felt it could narrow its focus to smaller stocks.

DEC 21 1996

ARIZONA REPUBLIC

Phoenix, AZ

Circ: 340,000 (Dly)

485,000 (Sun)

Work begins on solar-panel plant

TEP pledges 'green' manufacturing site

By David Wichner
Staff writer

Promising the "greenest" manufacturing site in Arizona, Tucson Electric Power Co. broke ground this week on its solar-panel-production plant in Tucson.

The \$1.5 million facility being built in a joint venture of TEP and its affiliate, Global Solar Energy LLC, is scheduled to be completed in May and to begin production of advanced photovoltaic materials by June.

TEP touts the environmentally "sustainable" features of the plant, being built on 3.5 acres in the heart of the Civano development. The state- and city-backed project is aimed at creating a self-sustaining, environmentally sound community.

Design features of the plant include superinsulation, solar-heated water, recycled building materials, rammed-earth landscape walls and the use of Global Solar's "thin film" photovoltaic material as energy-producing awnings.

"The sustainable attributes of the building embody the concept behind

Civano and are reflective of Global Solar's commitment to sustainable energy sources," said Charles Bayless, TEP president, chairman and chief executive officer.

TEP owns 50 percent of Global Solar. The venture is the result of a plan approved by the Arizona Corporation Commission in February to allow the utility to invest up to \$25 million in energy-related businesses as the industry is opened up to competition.

Global Solar's site will be the first development at Civano, which is being built by Case Enterprises of Tucson.

The company said the facility initially will employ 40 to 45 people, two-thirds of whom will be "highly skilled, degreed professionals."

The facility will manufacture up to 1.5 megawatts, or about 255,000 square feet, of the thin-film product per year.

Plans call for the plant's production capacity to be expanded tenfold to meet the increasing demands, with employment increasing up to 70 at the highly automated plant.

Once in full-scale production, Global Solar said, its manufacturing cost is projected to be half to one-third that of existing solar-energy technologies.

Global Solar's manufacturing process utilizes copper indium diselenide, a new class of solar-cell materials consisting of four extremely thin film layers that create electricity from sunlight.

TEP spokesman Alan Lee Bunnell said the company is negotiating with several companies interested in buying the product, which is manufactured in rolls 6 feet wide and up to 250 feet long.

"We're very confident that we will have buyers the minute the product comes rolling off the production line," Bunnell said.

Under terms of an agreement between the two companies, Case Enterprises and its subsidiary construction company, Tucson IB Inc., will construct the building and then lease the facility to Global Solar. Though the building initially will be 35,000 square feet, the long-term lease provides for a building of up to 71,000 square feet.

DEC 18 1996

ARIZONA RANGE
NEWS
Wilcox, AZ
Cir: 3,500

Trains will go faster Signals to be checked

Page A1
AINSLEE S. WITTIG
Arizona Range News

The Willcox City Council plans to rescind the ordinance that prohibits trains from traveling over 60 mph through the city limits, mainly because there is no legal action that can be taken to get around the federal statute which sets speed limits and guidelines for railroads across the nation.

The discussion was held at the Willcox City Council's regular meeting, Tuesday, Dec. 10, and the City Manager Larry Rains said he would begin the process of rescinding the ordinance.

City Manager James Holland, who had hoped wording of the statute would allow the City of Willcox to set a maximum speed under the fed-

eral maximum speed, said, after being able to look at the law, that this is not the case.

"I don't see how we can preempt the (federal) law," said Holland. "It doesn't make me happy, but I don't see what else we can do about it."

Union Pacific Train Master Herbert Hansen, of Lordsburg N.M., answered questions from the City Council, including a serious concern from Councilman Walter Hamilton regarding the adjustment of crossing signals to be set for the new speeds.

Hansen said that the train goes over a scanner where the location and speed of the train is clocked so that the crossing gates are triggered to go down when the train is 1/4 mile from the crossing.

See TRAINS, page 3A

Trains

- continued from page 1A

"I have had a very close call with a train at a crossing," Hamilton said, "and I don't wish to do it again. We need to be sure there is enough time after the crossing gates are triggered and the train arriving at the crossing for motorists to get across the tracks safely."

Holland asked if Union Pacific could increase the time that the gates are down prior to the train reaching the crossing, especially considering the planned increased speeds of the train.

"This is out of my area of expertise," Hansen said, "but I will be happy to get a report from the signal supervisor. I don't see a problem with it myself," he said.

Kathleen Dobson Hunt said she still does not like the idea of faster trains through Willcox.

"I have heard that the rail tracks through Willcox will be double-tracked in two to five years, not 20 years, creating more hazards and problems; and I don't see any reason why we should increase the speeds," said Hunt. "Lots of problems can occur with a train, such as unbalanced loads, that go undetected. And if a derailment occurs, everything in the train's path is destroyed," said Hunt, whose family has been in the railroad business for a long time.

"It's not that anyone here in Willcox is encouraging the trains to go faster," explained Holland, "it's just

that we're not in the position to do anything about it."

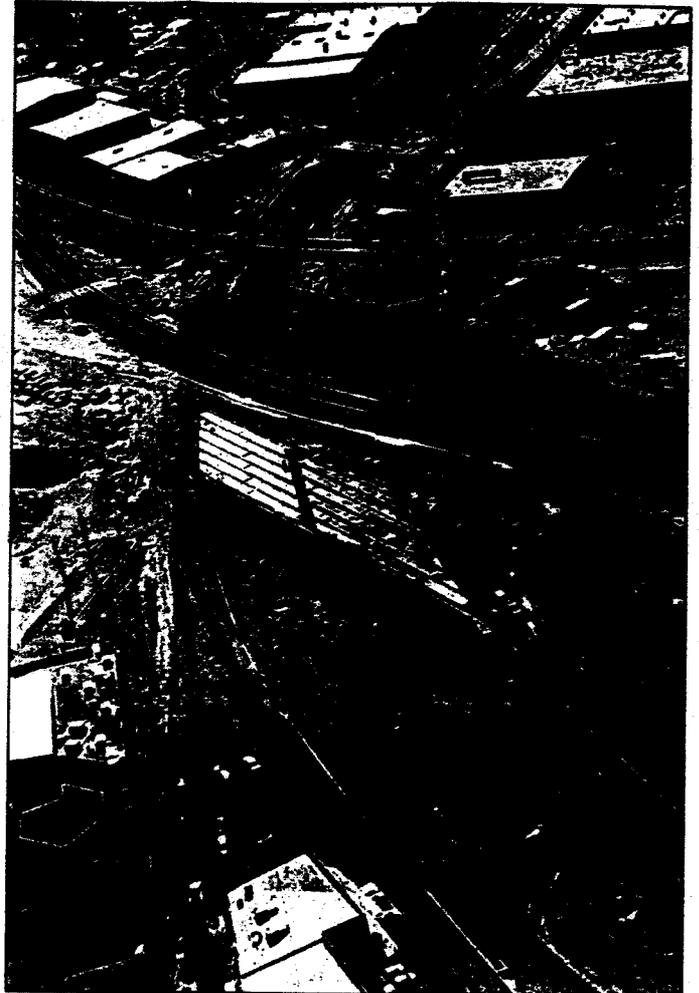
Holland said he hoped that Union Pacific would try to work its schedule for increasing train speeds from 60 mph to 79 mph for passenger trains and 60 mph to 70 mph for freight trains (although Union Pacific's fuel conservation policy will keep freight trains at 60 mph for now) to coincide with Willcox's schedule for rescinding the ordinance and checking the adjustment of the signals.

Willcox's City Council plans to have the ordinance rescinded by the second city council meeting of the new year, Tuesday, Jan. 28.

2004

Railroad crossing improved

PARK WORK - Two unidentified construction workers (below) reinforce concrete yesterday on one of five new bridges being built near where South Park and South Euclid avenues merge. The streets are being improved south of East Broadway as part of the Barraza-Aviation Parkway project. At right, an aerial shot shows how Park-Euclid traffic will be separated from the Union Pacific-Southern Pacific railroad tracks when the project is completed next year. Drivers had complained for years about having to wait along the route for passing trains. The \$15.7 million Park-Euclid project is being overseen by the state Department of Transportation. The parkway starts in the Davis-Monthan Air Force Base area and runs diagonally toward downtown.



State Department of Transportation



DEC 20 1990

DAILY DISPATCH
Douglas, AZ
Cir: 2,900 dly
ReadSearch Clips

50,000 gallons of sulfuric acid spill in train derailment west of Agua Prieta

By CAROLYN WALL
The Daily Dispatch

Acid spill: Eight of the 11 tanker cars in this train from Cananea derailed just west of Agua Prieta Thursday morning, spilling at least 50,000 gallons of sulfuric acid.

Military police blocked off the site while cleanup crews worked to contain the spill. Clean up will continue today and tomorrow, officials said.



Photo Courtesy of Jesús Cheno/Omar Noriega, El Clarín, Agua Prieta

Eight tanker cars overturned in a train derailment Thursday west of Agua Prieta, spilling an estimated 50,000 gallons of sulfuric acid.

Fireman Joe Tapia, one of the first emergency workers on the scene, said, "it was a mess."

"You can't tell which way the train was heading," Tapia said. "Everything was upside down over there."

Tapia a fireman with Comision de Emergencia (The National Emergency Commission) in Agua Prieta, estimated that 50,000 gallons of sulfuric acid spilled. Each tanker holds 20,000 gallons. Two had totally spilled and four were leaking, he said.

The emergency group, along with Mexican soldiers, and personnel from the Mexicana del Cobre mining company, worked until 8 p.m. plugging up the tankers and neutralizing the sulfuric acid on the ground.

"Yesterday, it was all running and shoveling."

See Spill, Page 6A

Spill from Page 1

Tapia said. "We managed to control small leaks. We made bigger dikes with heavy tractors from del Cobre."

"They were on the scene pretty quick," he said. "It's a 40-mile drive from Nacozari."

Tapia said the clean up will continue today, and possibly tomorrow. "Today is a question day," he said. "We'll stand around to find out what's going to happen. It takes a lot of hours."

The soldiers will fix the tracks today, Tapia said, and the mining company will empty the tankers, put the sulfuric acid into trucks, and use cranes to lift the tankers.

"It's a lot of work, a long process," he said. "They have

a real faulty railroad track out there."

Tapia said he doesn't expect any long-term effects from the spill. "If it's neutralized right with water and lime, he said, it turns into fertilizer."

Tapia said there was a recent spill of sulfuric acid in October south of Rio Rico and another spill in Nacozari about a year ago.

DEC 20 1996

BUSINESS JRNL

Phoenix, AZ

Cir: 17,500 wk

ACC workers ask to keep their jobs

900-2
About 80 to 85 percent of the Arizona Corporation Commission staff who were asked to resign when new Republican commissioners Carl Kunasik and James Irvin were elected to office have requested to continue to work with the commission, according to Kunasik's chief aid, Jim Bloom.

The 41 people who were asked to resign were political appointees, including senior-level policy makers, and the resignation letter is standard issue when a new commissioner takes office, Bloom said.

Response to the letter was due on Monday evening.

Kunasik and Irvin will decide who will stay and who will be asked to resign over the next few weeks, Bloom said, adding that there will not be wholesale changes.

The Arizona Consumers Council previously expressed concern about the requested resignations, citing the lack of knowledge and experience a new staff would have of the deregulation and competition in the electric and telecommunications industries.

— Stephanie Balzer

ARIZONA REPUBLIC
 Phoenix, AZ
 Circ: 340,000 (Dly)
 485,000 (Sun)

Kunasek's resignation request hits morale

By David Wichner
 Staff writer

Letters seeking the resignation of 41 of the Arizona Corporation Commission's 200 employees before Republicans take over the utility panel in January have shocked agency veterans and hurt morale, some staff members and the outgoing Democratic majority say.

But Republican Commissioner Carl Kunasek said the letters, dated Dec. 3, were a formality that was meant as a matter of protocol and doesn't necessarily mean all 41 employees won't be rehired.

The letters were sent to all of commission's "exempt" employees, including many top staff members in the legal and securities divisions, who are not covered by the merit process of the state personnel system, Kunasek said.

The letters asked employees who wished to continue at the commission to include, with their resignations, letters stating their desire to retain or change their positions.

"In my opinion, it was the kinder, gentler way to go with the employees," said Kunasek, who likely will become commission chairman when fellow Republican Jim Irvin replaces Democrat Marcia Weeks on Jan. 6.

In a recent letter to Kunasek, Weeks and Commission Chairman Renz Jennings called the resignation demands "heavy-handed and dispiriting," and said the resignation process could drive away talented staff members.

Several staff members, speaking on the condition of anonymity, said morale was crushed by Kunasek's letter and that some exempt staff members have delayed buying Christmas gifts because they fear for their jobs.

But Kunasek said his letter was misconstrued and that such requests for resignations are common practice.

Kunasek declined to discuss any staff members who would be retained or fired.

"The professional staff is very capable. If they're

— See RESIGNATION, page E8

Resignation request hits staff morale

— RESIGNATION, from page E1

qualified, they'll be retained," he said. Kunasek, a former state Senate president, said he is dismayed that the Democrats have made an issue of his letter.

"There's always controversy. The thing that's disappointing is the apparent unwillingness of the majority to make a smooth transition," Kunasek said.

Meanwhile, Kunasek said, he has received resumes from all over the country for key posts.

Gary Yaquinto, utilities division director, and Paul Bullis, legal division director, have said they will resign and seek other employment.

At least two Republicans mentioned as possible key players said they aren't interested in joining the commission.

Greg Patterson, director of the state Residential Utility Consumers Office and a Republican, said he wants to stay at the helm of the consumer-advocacy agency.

Gerald Porter, an attorney and director of the Governor's Office of Telecommunications Policy and former aide to Kunasek, said he would fulfill a yearlong commitment to Gov. Fife Symington and seek work in the private sector.

DEC 18 1996
MOHAVE VLY
DAILY NEWS
Bullhead City, AZ
Cir: 10,000 dly
ReadSearch Clips

Wastewater system purchase approved

By JOANN SMITH
The Daily News

BULLHEAD CITY — Citizens Utilities has permission from the Arizona Corporation Commission to sell and transfer its wastewater system to the City of Bullhead City.

According to the commission order, the application was approved Tuesday during an open meeting in Phoenix and is effective immediately.

The order, which affects approximately 2,700 customers, allows Citizens to sell the system to the city at the purchase price of \$4.375 million.

"Citizens has agreed to sell its wastewater

assets, except its Riverbend wastewater plant that will be dismantled, to the city," according to commission document. "The city currently operates wastewater facilities adjacent to those facilities being sold by Citizens."

ACC orders that "Citizens Utilities Company establish and maintain a separate trust account for the benefit of customers with outstanding refundable main extension agreements, in an amount equal to the maximum possible."

Those funds may be released from the trust account upon proof of payment of refunds by the City of Bullhead City, the order continues.

DEC 18 1996

RED ROCK NEWS
Sedona, AZ
Cir: 7,300

9-22-91

City settles lawsuit with engineering firm

by Karyn Riedell
Staff Writer

Another chapter has ended in the city's seemingly never-ending saga — "As the Sewage Turns."

Bringing one more chapter to a close, the city of Sedona and Parsons ESI, a Phoenix engineering firm hired to manage sewage construction, have settled all claims between them.

City manager Mike Letcher said he is "heartened" that the city is finally overcoming the problems with past sewer construction.

"It really puts the history of Quality Paving behind the city," Letcher said.

With the settlement, Letcher said the city avoids a past-due payment to Par-

sons ESI for \$111,641 that was also related to the city's lawsuit with Quality Paving, the Minnesota firm contracted to do sewer construction.

"We also reserve our right to any future potential claims with Parsons ESI on the performance of the wastewater treatment plant," Letcher said.

On Dec. 10, the city council approved the settlement with the stipulation that Parsons ESI agree to relieve the city of its \$111,641 debt owed for design and construction work on the sewer.

The city had withheld the money because of the legal dispute with Parsons ESI over its construction management, according to city attorney Jon Paladini.

"They agreed to waive the amount due because we agreed to waive the claim,"

said Paladini.

The agreement also requires Parsons ESI to provide advice over the next six months to ensure that the treatment plant is capable of treating 1 million gallons per day.

The firm will also provide free consulting advice on correcting the odor problem in the Foothills South area. The odor is caused by improper flow of treated sewage.

The city currently spends more than \$100,000 annually to chemically control the odor.

Letcher has directed the wastewater director to begin consulting with Parsons ESI on finding nonchemical solutions or more cost-effective chemical solutions to the problem.

In December 1989, Parsons ESI, formerly known as Engineering-Science, was hired to provide engineering design and consulting services and to manage sewer construction.

In 1992, when trenches in the Grasshopper Flats area began to sink, the city withheld funds from Quality Paving. Parsons ESI was the construction manager for the project.

The lawsuit against that firm resulted in more than \$1 million in legal expenses for the city. According to city projections, another \$1 million might have been required to litigate the suit.

**please turn to SETTLE
on page 2A**

SETTLE

from page 1A

In a joint-defense agreement with the city, Parsons ESI participated in the litigation against Quality Paving. Parsons ESI spent more than \$500,000 in legal fees in the Quality Paving lawsuit.

On May 24, the city settled with Quality Paving for \$320,000.

In effect, Parsons ESI's agreement to relieve the city of the past-due payment serves as a one-third contribution to the city's \$320,000 settlement with Quality Paving, Paladini said.

THE CITY had incurred an estimated \$640,000 in expenses as a result of the failed trenches. The city's settlement with Quality

Paving meant that the city and Quality Paving would split the estimated \$640,000 the city retained as a result of the trench failures.

The company said its work was not faulty. The city disagreed, asserting that the streets in Grasshopper Flats caved in because dirt and material were not properly compacted before trenches were closed.

DEC 18 1996

APACHE
JUNCTION IND.
Apache Jun., AZ
Cir: 20,000

Sewer awash in flood of litigation

By MICHELLE TAYLOR
AJI Staff writer

77C - 4
The city, sewer district and its contractors have launched a barrage of lawsuits involving more than a dozen companies regarding the financing and construction of Apache Junction's new sewer system.

Although the \$32.1 million system is up and running, complaints about money owed, shoddy workmanship and puffed up customer figures leading to lower than expected revenues have led to at least eight lawsuits filed so far this year.

Contractors Lee's Backhoe and Pipeline, Inc. and Mingus Constructors, Inc., responsible for installing the collection system on the east and west sides of town,

were the first to enter the fray last May. Both claim that, despite fulfilling their obligations, the sewer district has refused to release final payment on the contracts.

Mingus, which named the district, Apache Junction and Interwest Management Group, Inc. — that's the company hired by the Chamber of Commerce to set up the district and oversee construction after voters twice turned down a municipal system — in its suit, is asking for about \$505,000. Lee's named only the district and is asking for \$1.4 million.

The city, however, has long complained of shoddy work done on its streets as the contractors tore them up to put in pipelines, then refilled and repaved the

holes. Trenches weren't compacted correctly, leading to questions of future liability as they settled. Pavement over trench scars didn't match up with that on the rest of the road, leaving uneven depressions that resulted in a choppy, bumpy ride for drivers.

Western Technologies was recently retained by the city to perform core sample tests on work done prior to May 1 by Lee's and Mingus. Although Western has not yet completed the tests, it has been providing the city with periodic results. So far, said City Attorney Glenn Gimbut, 77 percent have failed for either compaction or materials or both.

One of two lawsuits filed by the city is against those two contractors for negligence and harm done to the roads, Mr. Gimbut said, adding that Interwest and project engineer Metcalf & Eddy may also be named at a later date.

What does the city hope to get from that lawsuit?

"Enough money to fix our streets and roads," Mr. Gimbut said. Repairs to Southern Avenue and Ironwood Drive alone would cost the city an estimated \$600,000, according to a March letter to the sewer district by Mr. Hoffman, which outlined some of the city's concerns.

The second lawsuit filed by the city is a

Please see ♦SEWER, p. 12

◆SEWER

Continued from page 1

counterclaim against Mingus, which alleged that Apache Junction interfered with its contract by asking the district to require them to complete work already okayed by the project engineer and making false statements to newspapers about the quality of their work.

The city has written a letter to the sewer district asking them to become co-plaintiffs in the first suit, but has not yet received a response, Mr. Gimbut said. Both he and Mr. Hoffman emphasized that the district and the city are working toward consolidating their claims as the lawsuits make their way to court. Mr. Gimbut said the city's lawsuits could take two to three years to reach a resolution.

The district is bound, however, by its sole bondholder, Allstate Insurance, to dedicate all litigation proceeds through July 1, 1998 to debt payment, which might conflict with the city's goal of using the money to pay for road repair, said sewer district attorney Charles Lotzar.

Allstate financed the project, and therein lies the story of the rest of the current litigation.

Two of the sewer district's four lawsuits are simply counterclaims against Lee's and Mingus alleging breach of contract, claiming that neither satisfactorily fulfilled their obligations and the district had every right to withhold final payment until they did so.

The district filed its other pair in U.S. District Court Dec. 2.

The first is against Interwest and its parent company, the DLR Group of Nebraska, and Mesirow Financial, Inc., of Chicago, the company which handled the financing of the bonds.

It accuses the companies of federal and state securities fraud, breach of contract and negligence, alleging that Interwest and Mesirow lied about the design, construction, feasibility, maintenance and operation of the project in documents used to secure \$32.1 million in bonds bought by Allstate to finance the sewer system. Both were working on a contingent fee basis, with compensation coming exclusively from the proceeds of the bonds.

By May of this year, the district

concluded that revenue and expense projects prepared by Interwest "were materially inaccurate in that the prior feasibility studies prepared by Interwest understated actual operating costs and overstated actual revenue," according to the complaint. The projections understated the cost of construction, puffed up the number of customers on line for sewer service, overstated the amount of revenue the district would get from septage haulers using the wastewater treatment plant to process septic tank sludge, and lowballed the numbers on operations costs.

The second suit filed Dec. 2 also alleges federal and state securities fraud, breach of contract and negligence. It names a number of companies relied upon by Interwest and Mesirow in preparing their financial projections, including the law firm hired by Interwest to help set up the district, Metcalf and Eddy,

project operations manager Professional Services Group, Inc. and others.

Both of those complaints asks for a jury trial and no less than \$100,000 in damages.

Mr. Lotzar said the district has four months from the date of filing all the lawsuits to re-evaluate and re-examine their content. That could result in consolidating some claims, expanding charges and/or dropping some of the companies named in the suits.

"There are so many moving parts right now, so many moving pieces, by taking an action like this (filing the lawsuits) we can start to slow down the number of moving parts, moving pieces and start to consolidate them," he said.

There may also be additions to the list of lawsuits as time goes on. Mr. Hoffman pointed out that he believes Allstate is investigating its options to ensure it gets paid for the bonds it holds. Because of a \$1.2 million budget

shortfall, the district refinanced the bond in October. Instead of receiving \$234,219 a month toward its annual \$2.8 million bond payment, Allstate agreed to a \$30,000 payment in November and December, and only \$50,000 a month through July.

Also, during a sewer board meeting Dec. 12, an attorney for Interwest, Jim Jellison, made a surprise appearance.

He said the district ignored a clause in Interwest's contract which allowed for arbitration before litigation, and threatened a barrage of his own with lawsuits the district and each board member.

City, ADEQ, will keep eye on Douglas water supply

By CHRISTINE ERMEY
The Daily Dispatch

A 50,000 gallon sulfuric acid spill west of Agua Prieta Thursday morning will probably not endanger water wells in the city of Douglas, said Public Works Director Rick Thomas.

"Water in the city's aquifers is drawn down toward Mexico," Thomas said. "But we will monitor our wells, especially the ones that are in closer to the vicinity of the spill."

Thomas said since the spill occurred only Thursday, testing the wells now will probably not do much good.

"It takes some time to see if anything has changed," Thomas said. "We will follow our regular monitoring procedure for now, but we will be keeping our eyes open."

See Water, Page 6A

The spill occurred at about 8 a.m., when tankers carrying the acid from a Cananea copper mining company, jumped the track.

After the spill, Mexican soldiers neutralized the acid. Arizona Department of Environmental Quality spokeswoman Sandra Kotzambasis said.

The ADEQ has not been asked to respond to the spill in Mexico, she said, and therefore cannot do anything to help.

"The ADEQ has a man in the area who is going to Douglas to see if the spill will have any effect on the water in the wells in that area," Kotzambasis said.

City Water Department Manager Manny Ortiz said the ADEQ will probably

contact the city if water testing is necessary.

"Of course, this is a concern to the city, because if the acid did make it down to the aquifer, the water could be contaminated," Ortiz said. "Right now we will wait on the ADEQ to see what we need to do."

Douglas Mayor Ray Borane and City Councilmen Sergio Mendez and Rudy Quiñonez met with Presidente Municipal Oscar Ochoa of Agua Prieta and his staff this morning at 9 a.m. to discuss the spill.

Borane said Ochoa informed him that he had

been in Hermosillo and Nogales Thursday and didn't know about the spill until 3 a.m. today.

"We were told that the spill was in an isolated area, and that it had been cleaned up and the situation was under control," Borane said.

The councilmen asked to see the spill, but were told that it was in such an isolated area that there was no road to the area.

"I really don't think there is any more cause for concern," Borane said. "I am confident that there is no more danger and it is under control."

DEC 18 1996

WILLIAMS GRAND
CANYON NEWS
Williams, AZ
Cir: 5,700 wk
ReadSearch Clips

Water company to change billing

In January, the Ash Fork Water Company will change their billing method.

At that time, they will implement the post card method of billing, made possible with the purchase of their new computer. Nothing else will change, but this will be a savings to the water company over the envelopes previously used. Customers should watch for the new billing method on their January water bills.

DEC 18 1996

GREEN VLY NWS
Green Vly, AZ
Cir: 10,000

Hearing on water company merger

By Robert Will
Green Valley News

Dec 29
A public hearing has been scheduled late this month in Tucson on the proposed finalization of the merger of New Pueblo Water Company into Community Water Company of Green Valley.

The hearing by the Arizona Corporation Commission has been scheduled for 10:30 a.m. Monday, Dec 30, in Room 222 of the ACC offices at 400 W. Congress St., Tucson.

Community Water Company (CWCGV) and New Pueblo

(NPWC) last Aug. 30 filed a joint application with the ACC for approval of the merger, initiated six years ago, said Alan Forrest, CWCGV president.

The law provides for an open public hearing, Forrest noted, at which under appropriate circumstances interested parties may intervene.

Written notice of intended intervention must be filed with the ACC on or before Friday, Dec. 27, according to the commission.

Forrest said he knows of no opposition, organized or otherwise, to the merger.

DEC 20 1996

WHITE MT. IND.
NAVAJO COUNTY
Show Low, AZ
Cir: 7,200 2xwk
ReadSearch Clips

Water bills to increase in parts of Show Low

Mike Allen
The Independent

SHOW LOW — Water users of Pineview Land and Water will soon see an increase in their water bills after the Arizona Corporation Commission granted the company a 37 and 1/2 percent rate increase.

Commission spokesperson John Poston said that an average residential rate of \$26.76 a month will increase to \$39.51 a month. A company official said they were waiting on a letter from the commission before they will know when the new rate goes into effect.

The company had originally asked for an increase of \$422,418 which would have amounted to an increase of 73 percent. The reason for the increase, according to Poston, was for operating capital and to financial a new backhoe and to computerize their water meter billing system.

Commission staff looked at the company's needs and decided that they only needed one backhoe for their 729 customers so, the rate increase was held to \$336,160 (37 and 1/2 percent).

Poston said the company also had "several questionable transactions

between Pineview and H&S Construction, Inc., and Mercon Incorporated construction companies owned by the Sutter family.

"There appears to have been an intermingling of Pineview's operations with those of the two companies with Pineview having made purchases or payments on behalf of H&S or Mercon. It appears that Pineview's cash, which could have been used to effect repairs and maintenance, has been tied up in supporting H&S and Mercon."

The rate increase is based on the company's operating year of 1994

and was filed on Feb. 4, 1996.

The increase will help the company solve the problem of taste and the appearance of their water, even though the water passes health standards.

Several Pineview customers have complained to the Commission and the Arizona Department of Environmental Quality about the water quality. According to documents from the Commission, customers have complained that "the water stains laundry and plumbing and has a distasteful taste, odor and appearance."

DEC 19 1996

THE WESTER
Sun City West, AZ
Cir: 14,000 wk

Acc - A1

Effluent Water Credits Remain in Doubt Hubbs: 'We Must Retain Our Own Water Rights'

By Ruth Borchardt

"We want our water credits" is apparently the theme of many of the SCW Rec Centers Governing Board members.

By an agreement in 1985, Del Webb Corp. had agreed to turn over ownership of the effluent water system to the Recreation Centers on July 1, 1996. Included in the system are leaching fields just south of the Citizens Utility water treatment plant, east of El Mirage Rd., and north on Bell Rd.

From the treatment plant, "water is pumped into the leaching fields, where it percolates down to the aquifer." In a nutshell, it is

"If the fields were taken over, there should be unanimity as to whether there would be legal problems."

—Larry Watts



somewhat purified in the process. State Dept. of Water Resources credits for the effluent water is applied to irrigation of the golf courses in the expansion area. The agreement has not been con-

summated due to lack of proper documentation which will be forthcoming. Still under discussion at the present time is who will have credit for the effluent water.

The Governing Board apparently feels the credits belong to the Rec Centers. Carole Hubbs, president-elect, said, "Water is our future in Arizona. We must retain our own water rights."

Current Pres. Dirk Prather said, "It is in the best interest of the community to maintain as much

Water
Continued on Page 2

Teamwork: 17 cities planning CAP water use

By Lori Baker
Staff writer

Seventeen west Valley cities and private companies are teaming up to plan how to use more of their Central Arizona Project water allocations.

Glendale is the lead agency for the new West Valley Central Arizona Project Subcontractors Coalition, or West CAPS for short.

Other members are Phoenix, Peoria,

Surprise, Avondale, El Mirage, Goodyear, Buckeye, Litchfield Park Service Co., state Land Department, Arizona Water Co., Brooke Utilities, Citizens Utilities Co., New River Water Utility, Sunrise/Westend Water Cos., Valley Water Utilities, and Western Maricopa Combine.

CAP water is needed to curb groundwater use and to accommodate future development of the west Valley, said Rita

Pearson, director of the Arizona Department of Water Resources.

"Future growth in Valley communities depends on the renewable water supply delivered by the CAP," Pearson said. "West CAPS represents a forward-thinking approach by west-side communities to manage their local water resources."

Individually, most of the west Valley water utilities do not have the ability to deliver CAP water to their customers,

said David Wilson, CAP general manager.

"With these communities working together, we can look for regional solutions for using CAP water," he said.

The west Valley entities are using about one-third of their allotment. They are entitled to between 80,000 and 100,000 acre feet of CAP water per year, enough to serve about 400,000 people.

See WATER, Page 2

WATER

From Page 1

Only Glendale and Phoenix treat and deliver CAP water to customers. Communities like Buckeye and Peoria have a recharge system in which CAP water is used to replenish groundwater supplies. Last summer, Avondale started construction on a recharge system using CAP water. Surprise recently proposed a recharge system that also would create a wildlife habitat and regional park for the west Valley.

Funding for the coalition's study, which is expected to take five years, will come from membership dues and a \$150,000 grant from the Arizona Department of Water Resources.

In addition, the U.S. Bureau of Reclamation is providing \$200,000 in fiscal year 1996-97 to prepare technical studies to help West CAPS members decide how to use their allocations. Westmarc, a group of west Valley communities, and Peoria requested the federal money.

The formation of West CAPS is being lauded by state and local leaders.

"We have been working to reach this point for many years," said Diane McCarthy, executive director of Westmarc. "We are looking forward to the tremendous economic benefits the west Valley will reap as a result of using CAP water."

Glendale City Manager Martin Vanacour said CAP water is a valuable resource that needs to be used.

"Water providers in the west Valley are particularly inconvenienced because the majority are small operations and are not located in close proximity to existing CAP infrastructure," Vanacour said.

The study will look at cooperative ways to use CAP allocations, said Peoria City Manager Peter Harvey.

DEC 11 1996

WEST VLY VIEW
Avondale, AZ
Cir: 25,000 wk
ReadSearch Clips

acc -A8
**Gas furnace
confusion**

To the editor:

Your feature on preparing your home for winter weather, which appeared in the November 20 issue, was most timely. There was a good deal of helpful information for your readers.

I would like, however, to clarify what might have been a

misunderstanding between your writer and Mr. Mike Todd of Rural Metro Fire Department.

If a pilot light on an older model gas furnace goes out for any reason, the gas does not continue to flow as suggested in the article. Pilot light systems include a temperature sensor, called a thermocouple, which closes the gas valve automatically if the pilot is extinguished. Most gas furnaces manufactured in the past 20 years use electronic ignition and do not have pilot at all.

The second misunderstanding is that natural gas is heavier than air and would settle into potentially dangerous pockets if the pilot valve remained open. Natural gas, is actually lighter than air and would pass harmlessly to the outdoors through the appliance flue. In the unlikely event that gas did drift in a living space, you should be able to detect the strong odor at about one-fifth of the concentration needed for ignition.

We, like Rural Metro, are strong advocates of annual maintenance of heating and air conditioning equipment. Gas furnaces last so long in this mild climate that we tend to forget them. We believe proper maintenance by a licensed heating service firm is the best safety protection.

We would also like to amplify the comments regarding preventing carbon monoxide (CO) poisoning. While most of the testimonials carried in CO detector advertising seem to point to gas appliances as the culprit, national statistics show gas appliances are involved in fewer than five percent of CO fatalities. And, as the number of homes with natural gas appliances grows each year, the number of incidents declines. In this area, we've learned that improper use of charcoal barbecues, camp stoves and lanterns indoors is the biggest contributor. The bottom line is that a CO detector is the last line of defense against carbon monoxide poisoning. Common sense and proper use and maintenance of appliances is the best defense

**Garth E. Andrews, APR
Manager of Communications/
Arizona
Southwest Gas Corporation**

DEC 20 1996

PAYSON
ROUNDUP
Payson, AZ
Cir: 5,500
ReadSearch Clips

Bills edge up for customers of Broken Bow

Fuel prices on the rise;
company also seeking
permanent increase

BY JERRY THEBADO
REPORTER

The price of heating and cooking with gas is going up — by only a few dollars a month now, but possibly more by next fall if the Arizona Corporation Commission approves a request by Broken Bow Gas Co. for a 22-percent base rate increase.

The ACC Tuesday approved a 7.2-percent "fuel adjuster" increase for Broken Bow, which will be roughly \$4.75 per month for the average residential customer, ACC spokesman Jon Poston said. That increase will show up on customers' bills for December.

Poston explained that the fuel adjuster is simply a mechanism that allows a utility company to pass on the lower or higher costs of fuel to its customers. These adjustments are made on the ACC-approved base rate that a company charges for propane gas.

"Fuel adjusters are done on a dollar-for-dollar basis," Poston said. "The company does not profit in any way from the increase."

Broken Bow manager Don Gibson said propane costs have gone through the roof this year. Tuesday's increase amounted to .20 cents per therm. A therm is a unit of measurement equal to about 1.1 gallon.

In December 1995, Broken Bow's fuel adjuster increase was .03 cents per therm. Last January, a .09 cents per therm adjustment was approved. In August, there was a .13 cents per therm increase.

Gibson said such increases are "standard operating procedure. Whatever you pay for gas is what you sell it for. There's no profit on commodities."

To figure fuel adjusters, Gibson said he must sit down each year and determine estimates of how many gallons of gas he will sell the following year. Then, he figures out if an increase or decrease in his cost-per-therm is necessary.

"Those estimates are filed with the corporation commission, who then says, 'This looks good. You can go up a nickel or go down a nickel,' whatever the case may be," Gibson said.

Permanent increase sought

But Broken Bow is also looking to increase its profits, which also requires ACC approval. It has filed an application with the ACC for a rate case hearing, which is expected to be held in July.

Broken Bow is seeking to change its base rate from .95 cents per therm to \$1.20 cents per therm. This is the company's first base rate increase request since 1981. Poston said such an increase would generate an additional \$460,000 annually for the company.

DEC 17 1996

THE DAILY COURIER

Prescott, AZ

Cir: 17,000 dly

18,500 Sun.

ReadSearch Clips

Homes evacuated at Lynx Creek

A 2-inch gas line was severed late Friday afternoon by construction workers who were digging at Villages of Lynx Creek, with some residents of the area being evacuated as a precaution.

Rod Lopez of the Central Yavapai Fire District said that residents from about a dozen homes in the development, which is in the Dewey area near the Prescott Country Club entrance, were evacuated for about three hours while workers repaired the line.

Southwest Gas offers easy pay stations

LAUGHLIN, Nev. — If you've had quite enough of driving extra miles and standing in lines to pay your gas bill, Southwest Gas offers a convenient, no-cost answer — neighborhood pay stations.

"These pay stations are an added convenience for the customer," Chris Palacios, vice president for the Southern Nevada Division of Southwest Gas.

"They often have extended hours of operations, and they accept and process all payments immediately — cash, checks or money orders."

More than 19,000 customers in the Southern Nevada region — which includes Bullhead City, Needles and Laughlin, as well as the Las Vegas valley, visit neighborhood pay stations to pay their natural gas bills, he

said.

As a result, office traffic has been reduced and those customers who visit the office on other business can accomplish their task more quickly, he added.

Persons who wish the location of the nearest neighborhood pay station may call the Southwest Gas Service line at (702) 365-1555.

DEC 25 1996

GILBERT INDP
Chandler, AZ
Cir: 16,000 wk
ReadSearch Clips

Monopole Requests Growing Like Weeds

By Phil Reynolds
Staff Writer

A growing number of requests to erect monopoles, coupled with increased resistance to having the poles in Phoenix neighborhoods, may force the City Council to develop a policy to deal with the problem.

Faced Dec. 18 with a request to approve a cellular

telephone monopole on Phelps Road, near 12th St., Councilman Cody Williams remarked that the city had already seen fit to regulate billboards, and that "monopoles are the next billboards."

The council denied the request.

The action may indicate a mood in the council that matches that of many of the city's residents — monopoles, 65-foot towers designed to hold cellular telephone relay equipment, are called necessary by cellular phone providers, but seen as eyesores by people who live in areas where they're proposed.

Residents have reached a compromise with US West on at least one monopole request in Ahwatukee Foothills. The company wanted permission to erect the pole on Frye Road, but the Ahwatukee Foothills Village Planning Committee recommended denial based on neighborhood objections. US West then found a way to place the equipment atop a light pole on Desert Vista High School's football field, a move which gained neighborhood consent and made money for both the communications company and

Tempe Union High School District (US West pays for the right to service its equipment, but not as much as it would have cost to erect a new monopole).

In three other instances, the school district has granted telephone companies the right to investigate school grounds as possible monopole sites. Sprint Wireless Communications, Inc., is checking Desert Vista and Corona del Sol for possible use and AT&T on Dec. 18 was given permission to survey the Mountain Pointe High School grounds.

US West will ask the

Council on Jan. 15 to allow a monopole on the company's property on Desert Foothills Pkwy. near Marketplace, although both the Village Planning Committee and the City Planning Commission recommended denial. Only four people appeared before the Planning Commission on Dec. 11 to object to the proposal; more are expected to address the City Council Jan. 15.

But Williams points out that several companies now offer cellular phone service, and "each of them can ask for up to 30 monopoles."

•see "Monopole" page #2

"Monopole"

from page 1

Williams, who represents the city's central area, fears clusters of monopolies will spring up not only in his district but throughout the city. He wants cell service providers to get together and work out a way to share monopolies.

"Cody has been a leader on the council in taking a close look at monopolies," said District 6 Councilman Sal DeCiccio, who represents Ahwatukee Foothills.

"I believe the council is near the point of taking a close look at monopolies and perhaps even setting some type of city policy on their construction."

Williams is also wary of the future of monopolies.

"Technology is moving very rapidly," he said. "It's possible that in five to seven years we're not going to need monopolies at all. I want to know what's going to happen to all those monopolies when they're obsolete. Are the companies going to come along and remove them? That's something we, the council, need to look at."

At the Dec. 11 City Planning Commission hearing requesting a monopole on Desert Foothills Parkway, US West representative Cliff Nordyke said the equipment bulbs atop the poles have already shrunk from 12 feet in diameter to three feet.

"In 10 years (wire-

less phones) will be your phone system," he told the Commission. "Wire lines are going away."

But at the same meeting, Planning Commissioner Laura Savage explained her vote against the US West request, saying the commission was working on an amendment to the city master plan that would address monopole installation in both commercial and residential neighborhoods.

However, the com-

mission pointed out that the amendment has not reached the formal discussion stage yet.

"There's not a whole lot of history (to dealing with monopolies)," said DeCiccio. "It's a relatively new problem. I believe people don't realize how much of a problem it is until they're faced with it themselves."

DeCiccio also agreed with Williams about the future of monopolies after technology advances past them.

"Certainly the city

doesn't want the responsibility of maintaining them," he said.

Williams has proposed that companies given permission to erect monopolies be required to dispose of them when they're no longer needed for cellular phone relays. He said communications companies might have to post a bond to ensure removal of the monopole before that permission is given.

Both Williams and DeCiccio agreed that the monopole question is one the council needs to deal with as a matter of city policy rather than on a case-by-case basis, as it now does.

Internet is more like Inter-NOT

Flat rates bring 'all circuits busy'

By David Hoye
Staff writer

Not long ago, getting online required a computer, a modem and a telephone line.

Now it also requires luck. Increasingly, computer users in Phoenix and other cities around the country get busy signals when they dial their Internet access providers, companies that provide them electronic doorways to cyberspace.

They better get used to the beep, beep, beeping.

Sometimes, the busy signals are due to lack of planning. America Online, for example, admits it didn't anticipate the mad rush for service when it offered a flat-rate access plan, which became effective Dec. 1.

In most other cases, however, nearly everyone agrees the problem centers on regional telephone networks, systems built to handle voice communications that are being

swamped by the phenomenal demand for Internet access and high-speed data communications.

That's the crux of the problem facing GoodNet, a Phoenix-based Internet service provider whose 20,000 customers have met unending busy signals since the company relocated in November to a downtown Phoenix high-rise.

Experts agree that regional telephone networks are to blame for similar problems across the country. But fighting has broken out over possible solutions, and experts predict it may be months, or years, before the problem is resolved.

"There's a traffic jam out there, and the current situation is very gloomy," one industry insider said.

A couple years ago, when the Internet and its colorful cousin, the World Wide Web, had yet to attract the attention of mainstream America, experts estimated that from 10 million and 15 million people worldwide went online regularly.

Now it's easy to find studies that say 20 million to 30 million people worldwide are out there trading e-mail and checking out Web sites. One expert said he believes the cyberspace population is closer to 50 million.

Most of those users go online by having their computers dial and connect with Internet service providers, a link that places a heavy burden on local telephone systems.

That burden comes in different flavors.

First, the average Internet call lasts 15 to 20 minutes, more than five times the length of the average residential voice call.

Second, data transmissions are digital, and must be translated into analog signals whenever they travel through local telephone networks.

Unlike digital signals, which travel in intermittent "packets" and can share lines, analog signals travel in constant streams, and require entire lines to themselves.



James Garcia/Staff photographer

TCG's Doug Newcomb (left) and Joe Goodhart find out for whom the Baby Bell toils.

"The bandwidth problem is at the publicly switched telephone network. That's where we hit a brick wall," an industry insider said. "The digits need to be transformed into analog signals. It's like hitting quicksand."

Compounding the problem is a bit of human nature. If at first they don't succeed, computer users call, call, and call again, further overloading the local telephone system.

In addition, frustrated Internet users are becoming reluctant to relinquish their online connections once they've gotten past the busy signals. Because most Internet service providers charge a flat monthly rate, users don't hesitate to leave themselves signed on for hours, even if they leave their computers to go eat dinner or watch television.

Pacific Bell, the regional telephone company that serves northern California, has reported that "all circuits busy" problems are commonplace, no longer confined to Mother's Day or the hours after earthquakes.

'All circuits busy' as Internet users try new rate, stay on and on online

— ALL CIRCUITS, from page D1

"And that's with only 12 percent penetration for Internet usage," said David Jemmett, president and co-founder of GoodNet.

"What happens when they get to 5 or 30 percent?" he asked. "It's pretty scary."

Jemmett knows firsthand the problems of Internet access.

GoodNet opened two years ago and quickly outgrew its Tempe headquarters. After months of planning, the company spent much of November moving its employees and equipment into a downtown Phoenix high-rise.

Jemmett said he needed more room for employees, and said he was told by US West that their downtown Phoenix telephone switching office could better handle the company's growth than the Tempe switching office.

But when the company went online at its new location the week of Thanksgiving, GoodNet's customers promptly overwhelmed the Phoenix switching office, causing busy signals and other problems that persist weeks later. For a time, the problem affected voice calls unrelated to GoodNet.

Jemmett and US West disagree about the specifics of what went wrong, who is to blame and what needs to be done to resolve the GoodNet situation.

Jemmett said the difficulties GoodNet has encountered since moving to downtown Phoenix has cost the company about \$5 million, including the loss of 3,000 customers and what he said was damage to GoodNet's reputation.

Jim Roof, a spokesman for US West in Phoenix, said the telephone company is doing all it can to resolve GoodNet's problems.

"It's been an expensive situation for US West, too," Roof said. "We've had technicians working on that problem that we would have had working on other issues, and we've spent a considerable amount of money beefing up the circuitry there."

Nationally, regional telephone companies blame similar problems on the world being caught by surprise. Nobody, they say, could have predicted and planned for the immense popularity of the Internet.

"This is a new enough phenomenon," said Jerry Brown, a Denver-based US West spokesman who specializes in national issues. "It's happened rapidly. None of us really expected this."

Brown said regional telephone companies are trying to meet with Internet service providers and others with vested interests in the Internet congestion problem to come up with a solution that will help everyone.

In the meantime, regional telephone companies have asked the Federal Communications Commission for permission to charge Internet service providers access fees, much like the fees they charge long-distance carriers.

Last year, long-distance carriers paid about \$22 billion to access local telephone networks.

The proposed fees on Internet service providers, which could increase their customers' monthly bills \$5 to \$15, would help finance research, development and implementation of a solution to the congestion problem.

Internet service providers say they're willing to pay their way, but balk at the idea of paying as much as the local telephone companies want.

To fight the proposal, they recently established the Internet Access Coalition, a group with Washington, D.C., lobbyists and members that include the likes of Intel, Netscape and Novell.

Coalition members maintain that solutions exist, including equipment that can identify digital signals and reroute them around analog switching offices.

Additionally, the coalition claims that no one should have to pay in advance for improvements to local telephone networks.

"They want an upfront payment on the promise that they might actually do something in the future to improve access," said Paul Misener, Intel's manager of telecommunications and computer technology policy, and chairman of the coalition's steering committee.

Misener said the fee proposal reflects the monopolistic nature of regional telephone companies.

"They are a monopoly. There's no competition," he said. "The thought of going out and asking for money on the promise they might do something would be ludicrous to even consider in the competitive world."

Brown said the telephone companies are just trying to solve the problem.

"We're not trying to maintain a monopoly. Competition is coming," he said. "The way we'll keep the most customers is by providing the best service. And no one has a stronger interest in doing that than we do."

As for the proposed fees, Brown said, "We will invest (in a solution), but we will do it in a way we can make money. We don't want to put us out of business."

DEC 25 1996

ARIZONA REPUBLIC

Phoenix, AZ

Circ: 340,000 (Dly)

485,000 (Sun)

FCC provides guidelines for Baby Bells' expansion

Associated Press

WASHINGTON — The government prescribed safeguards Tuesday designed to protect phone customers and companies as the Baby Bells enter new businesses, including making phone equipment and providing long-distance service.

The Federal Communications Commission's rules for regional phone companies are part of a broad telecommunications law enacted Feb. 8 that frees local, long-distance and cable companies to compete on each other's turf.

In unrelated action, the FCC, as expected, unveiled its access-reform proposal which offers two broad options for cutting the \$23 billion in fees local phone companies collect for handling long-distance calls.

The FCC expects to make a final

decision in April or May. Its action could increase local phone bills and decrease long-distance ones.

Under the safeguards order, the FCC said local phone companies must form separate affiliates to conduct businesses such as making phones and other telecommunications equipment, providing long-distance service or transmitting stock quotes and other information.

A US West spokesman said the company opposes the subsidiary rules.

"We don't believe it's appropriate. It adds unnecessary costs to offering the service," Jim Roof said, adding that the rules will discourage competition.

The requirement to create separate affiliates for manufacturing and long-distance are set to expire in

three years and the one on information services in four years unless the commission extends them.

In a related order, the FCC said Bell companies must follow existing accounting standards for all these new businesses.

Early next year Bell companies are expected to begin applying to the FCC to provide long-distance service to their own customers.

Both FCC orders are designed to protect local phone customers from being forced to pay, through higher rates, for Bell company entry into new businesses. And they also are intended to discourage the Bells from abusing their market dominance to keep out potential rivals.

Contributing to this article was staff writer David Wichner.

DEC 19 1996

ARIZONA REPUBLIC

Phoenix, AZ

Circ: 340,000 (Dly)

485,000 (Sun)

MCI calls US West switching fees excessive

Associated Press

DENVER — MCI is accusing US West of charging customers "excessive and unjustified" fees for switching customers' long-distance service.

The charges were made in a complaint filed with the Federal Communications Commission in Washington, D.C., on Monday, MCI announced Tuesday.

In its complaint, MCI notes that the Englewood, Colo.-based US West charges customers \$5 for changing long-distance companies, and asks the FCC to find that the charge violates the Communications Act.

The long-distance company also

wants the FCC to direct US West to file a revised charge that is "fully cost-justified."

"Other local telephone companies charge as little as \$1.49 for the same procedure, which can be executed with a few strokes on a computer keyboard," MCI charges in the complaint to the FCC.

"The fee is excessive and totally unrelated to the actual cost of switching customers from one long-distance company to another," said Jonathan Sallet, MCI chief policy counsel.

"It is customers who lose by paying for these charges. This is just another

example of a local monopoly adding unnecessarily to the cost of long distance," Sallet said.

In its complaint, MCI accuses US West of charging customers three times more than other regional telephone companies for changing long-distance telephone service.

US West spokesman Jeff Garrett acknowledged the regional telephone company charged customers \$5 to change long-distance service.

But he said the company is competitive with other Baby Bells, he said.

Garrett called the complaint "a joke" and accused MCI of "slam-

ming" customers, or changing long-distance service without authorization.

He claims a report last week found that MCI received more customer complaints about unauthorized changes of long-distance service.

"Of the big three — AT&T, MCI and Sprint — MCI is the worst slammer," Garrett said.

"So we have to have people staffed to perform work dealing with customers and tracing how they got slammed. The real costs that are incurred come mostly from customers that have been slammed."

DEC 18 1996
TUCSON DAILY
CITIZEN
Tucson, AZ
Cir: 65.000

MCI contends \$5 US West fee is overcharge

The Associated Press

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DEC 25 1996

GILBERT INDP
Chandler, AZ
Cir: 16,000 wk
ReadSearch Clips

Monopole May Rise at Mountain Pointe

By Benjamin G. Barlow
Staff Writer

Tempe Union High School board members agreed unanimously Dec. 18 to let AT&T Wireless PCS, Inc. investigate putting monopole facilities on the campus of Mountain Pointe High School.

The AT&T proposal is at least the fifth recent request for a monopole in the area. A pole has already been approved in The Foothills; the city planning commission recommended denial of a US West request for a

pole near Desert Foothills Pkwy. and Marketplace; and the Tempe Union board has already agreed to let Sprint Wireless investigate the suitability for monopoles at Corona del Sol and Desert Vista high schools.

The agreement with the Tempe Union board would allow AT&T one year to investigate whether the campus is suitable for telecommunication equipment such as cellular relay towers known as "monopoles."

However, it does not give AT&T the authori-

ty to build any poles on campus.

A separate agreement, if both parties consent, would either let AT&T put its equipment on an existing football light tower, or replace the tower with its own pole. If AT&T chooses to build a pole, it must install the football lights

on that pole.

AT&T is paying the school \$1,000 for a year-long option to investigate Mountain Pointe.

If the district and AT&T agree that the equipment would go in, AT&T would pay \$87,500 for a 15-year easement across school property to the tower.

If AT&T uses an existing light tower, it agrees to pay the district an additional \$12,500.

The proposal requires AT&T to "match the environment" and paint or otherwise treat the pole to blend with the light poles in the vicinity.

The school district has the right to decide whether the monopoles satisfy that requirement, according to the agreement.

The installation of monopoles has been the subject of controversy in the past few months, as people have protested the installation of monopoles in the Ahwatukee Foothills area.

DEC 18 1996

AHWATUKEE
FOOTHILLS NWS
Phoenix, AZ
Cir: 26,000 wk
ReadSearch

Plan Group KO's Tall Telephone Pole

By Phil Reynolds
Staff Writer

The Phoenix City Planning Commission rejected a request for a 65-foot wireless telephone monopole near Desert Foothills Parkway and Marketplace Way by a 4-0 vote Dec. 11.

Commission members Gary Trujillo and Virgil Berry left the room during the discussion and vote, citing a possible conflict of interest in the case. Both are involved in property investments.

The request was from US West Wireless, which wanted to build the monopole on its Desert Foothills Parkway site to handle future telephone

service. The US West representative, Cliff Nordyke, said the location was the only one that would work because of the difficulty of sending a signal into canyons in the area.

The Planning Commission's decision is a recommendation to the City Council. US West has the option of asking for a hearing before the council, and Nordyke indicated he would follow that route. The company has until Dec. 18 to file a request for a council hearing.

The commission vote follows the recommendation of the Ahwatukee Foothills Village Planning Committee,

•see "Plan" page #39

"Plan"

from page 1

which voted 7-0 against the proposal on Oct. 6.

Nordyke told commissioners the pole would provide immediate phone service to home buyers while their houses are being built, and called the wireless service the future of telephone service.

"In 10 years (wireless phones) will be your phone system," he said. "Wire lines are going away."

Nordyke predicted a time when homeowners would have one telephone number for home phones and mobile phones. He said both telephone service and television signals will one day be received by a small box on the side of the house.

The proposed monopole would provide wireless phone service to homes within a four-to-five-mile radius, Nordyke said.

However, responding to a question from Commissioner Jim Sasser, Nordyke admitted that US West is continuing to install telephone wires — so-called "land lines" — in The Foothills.

Nordyke said the Foothills proposal is the only one of 11 US West monopole requests to have come before the commission. Others have been approved at the neighborhood level, he said.

He called the proposed tower the "sleekest monopole in the industry," citing a three-foot-wide "basket" atop the tower compared to the usual 12-foot-wide installation.

But four neighborhood speakers, led by Village Planning Committee Chairman Rob Wasson, apparently convinced commissioners that the pole is not a wise idea.

"There's no such thing as a good-looking 65-foot pole," said Wasson, who also reminded the commission that US West had

managed to reach a compromise with neighbors in an earlier request for another monopole on Frye Rd.

Foothills resident Scott Slattery, who said he also works in the cellular telephone industry, challenged Nordyke's statement that the Desert Foothills site is the only one possible. Slattery said the single pole concept could be broken into several shorter poles and do the same job, though Nordyke disagreed with that.

Another resident, Rick Snyder, agreed that US West had tried to fit the monopole concept into the surrounding landscape, and said he had seen acceptable monopoles in other parts of the country. But he maintained that "as far as I know there are no 65-foot cacti out there."

Chuck Murphy complimented US West on its service, but said the argument that the monopole is needed because wire phone service is a thing of the past is "a non-issue."

The city planning staff also recommended denial of the proposal, conceding that it would be partially screened from Desert Foothills but noting it would be visible from homes north of the site. The setback from the street would also not comply with zoning in the area, according to the staff report.

One reason Commissioner Laura Savage gave for her motion to turn down the proposal was a move by the Commission to amend the city master plan to address similar situations. The premise of the amendment would be to require a special permit for monopoles in all situations, both in residential and commercial areas, she said. However, that amendment is not yet even to the formal discussion stage.

Commissioners ques-

tioned Nordyke closely regarding the possibility of using another site for the pole. Unlike the Frye Rd. proposal, however, "there are no options," Nordyke said.

To get the wireless service, "it's going to have to be there," he said.

Nordyke said any other location for the monopole would eliminate service to some homes in the area

because current technology requires line-of-sight transmission and reception. That's relatively easy in some areas, but not close to mountains, he said.

If the City Council also denies the proposal, US West can not bring the same proposal to the Planning Commission for another year.

DEC 22 1996

ARIZONA REPUBLIC

Phoenix, AZ

Circ: 340,000 (Dly)

485,000 (Sun)

Non-Bell dial tone is here

US West competitor begins commercial service in Arizona

By David Wichner
Staff writer

There was no "Watson, come here, I want you," yet for many Arizona telephone customers, the connection may be just as momentous as Alexander Graham Bell's famous first call.

TCG of Phoenix quietly turned on the dial tone for its first commercial customer last week, cracking the monopoly US West and former parent AT&T have held over local phone service across most of Arizona since 1912.

One of TCG's first local-service customers, Tempe-based computer retailer Insight Enterprises Inc., is looking forward to major cost savings and better service by dumping US West.

Denny Chittick, senior vice president for information services for Insight, said the company will save 20 to 30 percent by buying local service and tying into TCG's fiber-optics system, compared with a similar package from US West.

"That's six figures a year for us," said Chittick, whose company grossed about

\$350 million in computer sales in the last fiscal year.

More importantly, Chittick said, Insight expects a drastic reduction in computer down time caused by breakdowns in its 450-line phone system — which can cost the company up to \$200,000 an hour in lost phone orders.

TCG's fiber-optic system is configured in loops that automatically reroute calls away from broken lines, assuring uninterrupted service.

"With US West, we have some down time every single month," Chittick said, adding that US West also has been slow to fix problems.

TCG plans to move cautiously at first, with plans to hook up two to three of its customers with local service each week, said Mike McHale, TCG vice president and Southwest general manager. The company serves about 110 commercial buildings in the Valley.

TCG is a subsidiary of Teleport Commu-

— See **NON-BELL**, page D9

Non-Bell dial tone arrives

— **NON-BELL**, from page D1

nications Group, a publicly traded New York company controlled by Cox Communications and several other cable-TV providers. TCG is using Cox's fiber optics network to deliver service.

While businesses are starting to connect to local phone competitors, residential customers likely will have to wait from several months to a year or more before competitors start knocking on their doors.

The reason is that businesses comprise a concentrated, lucrative market that is far easier to connect than far-flung residential neighborhoods.

"No one is going to come in and serve the residential consumer first," said telecommunications consultant Mark Goldstein, president of Tempe-based International Research Center.

"In my mind, that's fine — it will open up the market and there will be a trickle-down effect," Goldstein said.

TCG is one of several "competitive access providers" that figured to be the quickest to enter the local phone market because they provide some phone services to businesses via their own networks.

Competitive access providers have been providing Valley and Tucson businesses with private data lines and access lines to long-distance carriers for the past few years via their own fiber-optic cable networks.

Other competitive access providers that have been authorized by the state to provide local phone service include MFS Communications and Brooks Fiber Communications of Tucson, which is partly owned by MCI.

TCG won final approval of its interconnection agreement with US West on Tuesday. Other compa-

nies, including the competitive access providers and long-distance carriers, are still working on agreements with US West.

McHale said TCG was able to turn on its local service quickly because the company uses little of US West's network. TCG is switching local calls for its business customers through a \$3 million central-office switch at the company's Camelback Road offices.

Residential customers will have to wait to make a switch.

Cox is planning to offer basic phone service to residential customers in selected areas of the Valley by late next year, Cox Vice President Alan Sparks said.

The cable-TV operator also plans to eventually offer Internet access through coaxial cable modems as part of a package of services.

Cox customers will be offered phone service in stages as the company builds that capability into its network city by city, and Cox still has to negotiate interconnection agreements with US West.

"We will be facilities-based like TCG, but interconnection agreements have been difficult to negotiate," said Ivan Johnson, Cox vice president of community relations.

Indeed, negotiations over vital interconnection agreements between US West and would-be competitors are turning out to be a lawyer's dream, and a regulator's nightmare.

All the competitors have had to file for arbitration of their agreements by the Arizona Corporation Commission.

AT&T and MCI are finalizing their arbitrated agreements.

Sprint — which has offered local service in Las Vegas and other parts of the United States for years as a primary local carrier — has not announced its Arizona plans and has

not yet entered arbitration for interconnection with US West, spokesman Steve Dykes said.

MCI hopes to begin offering local phone service in Arizona through its MCImetro subsidiary by mid- to late-1997, according to regional policy director Bill Levis.

Absent any resale agreement with US West, MCI may enter the local market by providing limited service over its own local fiber-optic network, Levis added.

But the would-be competitors complain that US West is dragging its feet on vital interconnection agreements.

"US West is continually playing games with us," Levis said, blaming US West stalling tactics for an eight-month delay in interconnecting in Portland, Ore., where it provides limited service over its own local network.

AT&T spokesman Randy Shields said US West recently signed an arbitrated agreement in Iowa but stipulated that it might not be able to meet its interconnection deadlines.

"It's just continued foot-dragging, even if we get an arbitrated agreement," he said.

Allcott called such allegations "malarkey."

He said the long-distance players want US West to pick up the tab for local switching equipment and ongoing costs necessary to accommodate competitors.

"The issue here is, who's going to pay for all this stuff?" Allcott said.

Meanwhile, US West and the nation's other Baby Bells are expecting a ruling in mid-January on their challenge to competitive rules adopted by the Federal Communications Commission. But Allcott said he doesn't expect that battle to slow the march of competition in Arizona.

DEC 25 1996

ARIZONA REPUBLIC

Phoenix, AZ

Circ: 340,000 (Dly)

485,000 (Sun)

US West fares well in customer survey

By David Wichner
Staff writer

US West has had its share of service problems, but a recent study suggests that many customers will stick with the local phone company when long-distance competitors come calling.

A survey released by the Yankee Group, a Boston consulting firm, shows that when given a choice, 67 percent of consumers would use one company for all their communications needs.

Of those who would stick with one provider, 40.4 percent of consumers in US West's territory said they would most trust the local phone monopoly instead of long-distance companies to provide a combination of local and

long-distance service.

AT&T was the next choice, with a 36.6 percent rating, trailed far behind by MCI with 5 percent and Sprint, 3.7 percent.

Boyd Peterson, program manager at the Yankee Group, said the survey results are especially good news for US West because its reputation has been tarnished by service complaints in Arizona and several states in its 14-state territory.

"They're saying, 'I don't like everything they're doing for me, but it's the local phone company and I trust them to bring me all these services,'" Peterson said, adding that US West and other

— See MANY, page E8

Many plan to stay with US West

— MANY, from page E1

Baby Bells have stepped up advertising in "branding" programs aimed at keeping their names at the forefront of consumers' minds.

But the consultant said AT&T's strong showing also demonstrates that Ma Bell still has a lot of market power.

"I think these types of statistics really scare MCI," Peterson said. "It says they have to be first to market to compete."

The survey findings were based on a 40-question survey mailed to 2,000 U.S. households. The margin of error was not available.

US West spokesman Jim Roof said the survey shows that most customers trust the phone company despite service complaints in recent years.

"Obviously, we're pleased to see that some of the things we're doing to improve service are paying off," Roof said.

An AT&T official said the company is happy with its showing, considering it has not yet begun offering local service.

"People have not traditionally thought of us providing local phone service," AT&T spokesman Randy Shields said.

Other surveys show that local phone companies also stack up well against other potential competitors.

In an October 1995 Arizona Poll sponsored by *The Arizona Republic* and *The Phoenix Gazette*, only 32 percent of 600 respondents said they would consider buying phone service from their cable operators, while 42 percent said they wouldn't consider it. The remaining 26 percent said they were unsure.

A February poll by TeleChoice Inc., a consulting firm in Verona, N.J., showed that when faced with a choice of local phone companies, long-distance companies, cable-TV providers and cellular-phone providers offering a package of local and long-distance, 53 percent of 1,200 respondents said they would stick with their local phone company.

DEC 25 1996

ARIZONA REPUBLIC

Phoenix, AZ

Circ: 340,000 (Dly)

485,000 (Sun)

Needy can call home for free

US West will help the homeless and other needy people reconnect with their families Christmas Day by providing free long-distance calls.

Company volunteers will provide special phones and phone cards during holiday meals for the needy provided by the Salvation Army and St. Vincent De Paul Society at Phoenix Civic Plaza and at 119 S. 19th Avenue.

US West is offering a similar program at a Christmas meal provided by the Salvation Army in Tucson. The Communications Workers of America and the US West Pioneers also are supporting the free-calling program.

DEC 17 1996

MESA TRIBUNE

Mesa, AZ

Cir: 40,000

Mobile home park residents protest; power restored

By Kevin Sheh

Tribune writer

An electrical problem at a Mesa mobile home park that left residents without power for more than two days was repaired Monday, after dozens of angry residents staged a protest.

About 400 residents of Sun Life Travel Trailer Park, 5055 E. University Drive, claimed poor communication by park management left many elderly residents — some of them in poor health — in a bind during the outage. More than 1,700 people live at the park.

"A lot of people required electricity for medical conditions. Nobody knew what was going on or when electricity was going to come back on," said Joyce Baker, a resident who joined the protest.

Residents had been without power since about 8:30 a.m. Saturday and endured temperatures that dipped to 45 degrees Saturday night and 40 degrees Sunday.

Marc Caneva, the property manager, said residents would be credited for the 50 hours of lost electricity.

Maricopa County Emergency Services was contacted Sunday night. Mesa firefighters responded within 30 minutes. By Monday morning, Mesa city officials had set up an emergency center and Red Cross officials were offering assistance until power was restored at about 3 p.m. Monday.

But by Monday morning, many residents — upset because trailer park management had not made more of an effort to accommodate needs during the weekend — showed up at the park office.

Because Caneva did not arrive, an impromptu meeting was called. By 11 a.m., the large group

had assembled to complain about the electrical problem and conditions in general.

"I lived on a farm — and we wouldn't dream of treating our animals like the people who live in this park are treated," said Jerry Bredlau, one of the many residents who spoke out against the management.

Warren Baker, who helped organize the meeting, said the trailer park residents understand power outages do happen.

"We all know management is not responsible for the power outage. But everyone gets hostile because they (the management) are not communicating with us," he said.

A chorus of boos greeted Caneva when he arrived 20 minutes after the meeting started. He agreed that residents should have been told why the power was out and when it was expected to be restored.

"We didn't do that right. I agree with you," he said. Later, Caneva said he would credit customers for electricity lost and would discuss reimbursing residents for motel rooms and other losses on a case-by-case basis.

Caneva called for a second meeting with residents 11 a.m. Saturday to discuss ways to improve communications.

Some residents were encouraged by Monday's meeting, as one called it "the best in years." But many said they are reserving judgment until after Saturday's meeting.

Salt River Project officials said the outage was caused by a faulty switch within the park's distribution system, and that it was up to the park to fix the problem because it created its own system to save money.

DEC 18 1996

AZ SILVERBELT
Globe, AZ
Cir: 6,100 wkly
ReadSearch Clips

APS will monitor former gas site

see p 4
Many years ago, long before Arizona Public Service was even a corporation, the municipal parking lot off Mesquite Street in Globe was the site of a gas manufacturing plant.

Now APS is dedicated to making sure the site poses no environmental hazards to residents. Jim Valenzuela, district manager, said the action is part of the APS commitment to being a "good corporate citizen" since it was a corporate predecessor of APS which operated the site.

Four months ago, APS drilled some test holes at the lot to determine if there were any areas affected by petroleum or by-products used at the site. Globe is one of nine sites surveyed in Arizona through this voluntary program.

Recently the Globe city council approved the drilling of four monitoring wells at the parking lot. The wells will not interfere with parking and indeed, most people won't even notice them. From them, APS will sample groundwater for a year, then evaluate the results

to see if further remedial action will be needed. The concern is to see that groundwater is not contaminated by anything that may have come from the manufactured gas site.

Drilling is expected to take about a week and should commence in mid-January.

The Globe manufactured gas plant began operation around 1908, making synthetic gas from oil and was primarily used for street lighting and some domestic uses. When interstate gas pipelines made natural gas readily available, the manufactured gas became obsolete. The city began converting to natural gas in the late 1930s, but oil gas production may have continued until about 1947.

The initial investigation of the site earlier this year revealed some impacts to subsurface soils, but because the area is covered by asphalt it poses no direct risk to health. The monitoring wells will allow APS to determine if the groundwater has been impacted.

DEC 22 1996

ARIZONA REPUBLIC
Phoenix, AZ
Circ: 340,000 (Dly)
485,000 (Sun)

Nuclear plants asked to make bomb material

APS puts stringent conditions on participation

San Francisco Examiner

SAN FRANCISCO — With little fanfare, the U.S. Department of Energy is trying to persuade operators of civilian nuclear power plants, including Arizona Public Service Co., to rescue the nation's nuclear-weapons arsenal from an early grave.

Because tritium gas, a key component of nuclear bombs, decays at a rapid rate, the arsenal could begin deteriorating in only a decade. The Energy Department stopped making tritium eight years ago. So if it doesn't develop a new source, the military risks disarmament by default.

Unlike plutonium, another key bomb component that has a half-life of 24,000 years, tritium's half-life is 12.3 years. That means half of it decays over 12.3 years, then half of that disappears over the next 12.3 years, and so on until there's virtually nothing left.

So far, at least 10 utilities with nuclear plants have expressed interest in generating tritium for nuclear bombs in return for an undetermined payment.

At least two, the Tennessee Valley Authority and Georgia Power, are under consideration as sites for preliminary tests of tritium breeding devices.

According to the Energy Department, other U.S. utilities expressing interest include APS, which co-owns the Palo Verde Nuclear Generating Station near Phoenix and operates the plant for a consortium of utilities.

But a Palo Verde official said APS isn't eager to get into the weapons business.

"The DOE is a lot more interested in APS than APS is interested in DOE," Palo Verde spokesman Jim McDonald said.

McDonald said the federal agency had sent letters to APS and a number of other utilities early this year or in late 1995 seeking "expressions of interest" regarding the tritium proposal.

APS officials replied that they weren't interested unless there was a "strong national interest," possibly demonstrated by an act of Congress or presidential order, a clear public debate and consensus, and "significant benefit" to APS customers, among other conditions, McDonald said.

"We don't think it will ever come to pass," he said. "It would have to be very clear-cut."

One utility, Peco Energy Co. of Philadelphia, flatly rejects the idea.

"I don't think commercial plants want to start manufacturing war materials," spokesman Bill Jones said.

Officials at PG&E and Southern California Edison, which operate nuclear reactors, said they have ignored the proposal.

The prospect of de facto disarmament is fine with anti-nuclear activist Mark Floegel, a spokesman for the international environmental group Greenpeace.

"The Cold War is over, and our nuclear stockpile should rust in peace," he said. "If the decay in tritium is the first step toward that, then so be it."

But the Clinton administration is committed to hanging on to a residual nuclear arsenal. So it has turned to commercial reactors for tritium because plans have stalled for two alternative proposed sources, a particle accelerator or a government-owned reactor, the Fast Flux Test Facility, or FFTF.

The accelerator has drawn congressional criticism for its projected cost, \$4.8 billion. And scientists say the FFTF wouldn't generate tritium fast enough to meet arsenal needs by the middle of the next decade. By that time, so much tritium will have decayed that bombs will begin to seriously weaken.

The Energy Department wants to generate tritium like this: Rods of the element lithium would be inserted into a commercial reactor. Under neutron bombardment, the rods would accumulate tritium. Months later, the rods would be extracted and shipped to the DOE's Savannah River Site in South Carolina, where they would be heated to release the tritium gas.

Preliminary tests, if approved next year, would use a so-called Lead Test Assembly — 32 lithium rods three-eighths of an inch wide and clad in stainless steel, said Steve Sohinki, director of the commercial-reactor division at the Energy Department's tritium project. A full-scale tritium-generating plant might use thousands of 12-foot-long rods at a time.

Anti-nuclear groups worry that the

tritium plan would bridge the "fire break" between civilian reactors and military nuclear forces, transforming the so-called military-industrial complex into a "military-industrial-utility complex," says Mary Olson of the Nuclear Information and Resource Service, an anti-nuclear power group in Washington, D.C.

"To use civilian commercial nuclear reactors to produce tritium would

overturn decades of U.S. nuclear policy. It's absolutely wrong and misguided," said Daryl Kimball of Physicians for Social Responsibility, a disarmament group in Washington, D.C.

Lee Halterman, an aide to Rep. Ron Dellums, D-Calif., the ranking minority member on the House National Security Committee, opposes using civilian reactors to generate military tritium.

"If we're to pursue a reactor option (for generating tritium), the department should buy one — buy an old one or buy a new one, or build one or whatever," he said. "But we should maintain that 'fire break.'"

Others worry about the possibility of nuclear accidents.

The insertion of lithium rods into commercial reactors would change their internal geometry and complicate operators' ability to forecast their behavior. Hence "you reduce your margins for error, and you have made the situation more complex — and so more vulnerable to human error,"

Olson said.

Max Clausen, Sohinki's colleague at the Energy Department, insists that "we have examined that (safety) issue exhaustively."

Georgia Power has expressed initial interest in the tests, using its Vogtle reactor near Augusta, Ga. Its sole reason for participating would be "getting some compensation," utility spokesman Rick Kimble said.

Contributing to this article was staff writer David Wichner.