

Anthem Water Class Action Suit

- A Newsletter for the Property Owners of Anthem

Why the Cost of Water Has Skyrocketed With NO Warning

Four homeowners have recently filed a class action lawsuit on behalf of all homeowners of Anthem against Del Webb/Pulte and Arizona American Water Company under Arizona's Consumer Fraud statutes. The law firm of Kasdan Simonds Riley & Vaughan LLP of Phoenix is representing the homeowners. The lawsuit claims that the defendants failed to disclose that the cost of the water and wastewater infrastructure developed to serve the community was excluded from each home's purchase price in order to keep prices artificially low.

The class action complaint alleges that the developer and the water company entered into an agreement on September 29, 1997, under which they would construct water and wastewater infrastructure for the Anthem project. Del Webb/Pulte advanced the costs of the infrastructure to the water company, with the monies to be repaid after the completion of Anthem through increased water rates. The complaint further alleges that none of this was ever disclosed to the Anthem home



buyers. Once the water systems were built, Del Webb/Pulte and the water company agreed to artificially set the initial water rates at Anthem at approximately \$70 per home, so as not to shock potential buyers with the

true cost of supplying water to the homes. The lawsuit also alleges that Arizona American is now requesting substantial rate hikes to repay the hidden infrastructure obligation to Del Webb/Pulte, and the homeowners seek damages equal to the repayment costs, or approximately \$100 million of the approximately \$150 million this water project cost to build.

Under Arizona law, the developer is required to disclose to potential homebuyers whether the cost of water infrastructure needed to provide water to the home is included in the price of the home. The Plaintiffs allege that Del Webb/Pulte's Public Reports falsely disclosed to some early buyers at Anthem that the cost of the water infrastructure was included in the purchase price of the home. For later buyers, Del Webb/Pulte made no disclosure at all.

Arizona American recently applied for an \$18 Million rate increase for 2007-08 -- the first of several anticipated

rate increases. Much of the increase was granted. The rate increase primarily impacts the "base rate" and not the "usage rate." Even Arizona American Water Company cited the cost of the infrastructure and the repayment obligation to Del Webb/Pulte in its rate increase application. The application also reports that Del Webb/Pulte and the water company "developed a methodology that provided for reasonable, but high initial rates, followed by a series of rate increases as the number of homes sold increased."



If you think all of this sounds "underhanded" you are not alone. At the June 4, 2008 Special Open Meeting before the Arizona Corporation Commission regarding the requested rate increase, Commissioner Kristin Mayes stated:

"This rate increase is patently unfair. It asks current customers to pay a bill they didn't know was coming, didn't have a chance to protest and didn't have an opportunity to prepare for. . . .

I would add that there is no evidence that any utility in the State of Arizona has ever been financed in such a patently unfair way to consumers.

This is an extraordinary case. Never before has this commission approved such a large rate increase on such flawed circumstances."

The bottom line - plaintiffs contend that Del Webb/Pulte concealed the true cost of the homes from you and now expects you to bear the cost. Simply stated, if there was full disclosure of this repayment scheme at the time of sale, you could have made an informed decision because you would have known the true cost of the home.

We are committed to keeping you informed throughout the lifecycle of this lawsuit. If the court grants class certification, you may benefit from this litigation. If you would like to receive email updates, provide your email address to us at anthemwater@ksrv-az.com. We have also set up a website, www.anthemwater.com, where you can view the complaint and other pertinent documents as they become available.

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Highlights of the Anthem Water Class Action Suit



- Pulte/Del Webb Allegedly Failed to Disclose Hidden Water Infrastructure Costs As Required By Law
- Class Action Lawsuit Filed On Behalf Of Anthem Residents
- \$100 Million in Damages Sought
- View Pertinent Documents at www.anthemwatercase.com

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