

Exhibit B

Paseo Del Este

In 2003, "at the request of the Mayor,"¹ PSB agreed to provide water and sewer services to the Hunt Communities' Paseo Del Este Municipal Utility District. Paseo Del Este will build 20,000 homes on 5,600 acres.² It is located outside of the El Paso City limits. All facilities to produce the water and deliver it to Paseo Del Este are paid by residents inside the El Paso City limits.

Paseo Del Este residents are slowly reimbursing the costs but they pay less for their water than El Paso residents. El Paso residents will never recover the water and may never recover the money that they have been forced to invest in Paseo Del Este. El Paso water customers will absorb the loss if Paseo Del Este fails and Hunt Communities will receive the reward if Paseo Del Este succeeds.

Hunt Communities executive Gary Sapp and El Paso Water Utilities President/CEO Edmund Archuleta agree that land "entitled to water delivery" is worth \$19,000 per acre more than land that is not.³ Therefore, the PSB increased the value of Hunt Communities' land by \$106 Million (\$19,000 X 5,600 acres).

In 2004, the PSB began negotiations to purchase water from an affiliate of Hunt Communities in Dell City.^{5, 6} Water customers would pay \$508 Million for pipelines and facilities to import the water plus \$57 Million a year for operating costs.⁷ The PSB would pay \$2.63 per Ccf to replace the water that they are selling to Hunt Communities for \$1.50 per Ccf.

Negotiations to purchase water at a cost of \$2.63 per ccf from Dell City have been suspended. PSB estimates that it will cost \$3.21 per⁸ Ccf to replace the water they are selling for \$1.50 per Ccf, a potential loss of over \$12 Million a year.⁹ A 2002 study commissioned by Hunt Building Corporation concludes that "in assessing the true cost of water, a replacement charge for water used must be factored in."¹⁰

The PSB had no legal obligation to provide water and sewer service to Paseo Del Este. The PSB enriched Hunt Communities by \$106 Million at the expense of El Paso citizens. The PSB agreed to export 14.6 million gallons a day (enough for 100,000 El Paso citizens) during a water shortage.

It is important to note that this wholesale agreement was done "at the request of the Mayor,"¹ EPWU failed to document any apparent benefit to El Paso Water Customers, yet customers are forced to suffer the consequences while Hunt Communities reaps the benefit.

1. [Memo from Nick J. Constanzo March 19, 2009.](#)

2. [February 5, 2006 article by Dan Huff posted on Hunt Communities website.](#)

3. Newspaper tree, East Side Growth Fuels Developing Battles, by Sito Negron, 9/05/05

<http://www.newspapertree.com/politics/687-east-side-gr0wth-fuels-development-battles>

4. Integrated Water Management Strategies for the City and County of El Paso, Bill Hutchinson, Water Resources Manager, El Paso Water Utilities, Page 7

[http://www.ucowr.siu.edu/proceedings/2006%20Proceedings/2006%20Conference%20Proceedings/Wednesday%20Sessions%2015-19/Session%20\(17\)/17.3.%20Hutchison.pdf](http://www.ucowr.siu.edu/proceedings/2006%20Proceedings/2006%20Conference%20Proceedings/Wednesday%20Sessions%2015-19/Session%20(17)/17.3.%20Hutchison.pdf)

5. El Paso Inc., March 14, 2004

http://www.texaswatermatters.org/pdfs/news_155.pdf

6. US Water News on Line, March 2004

<http://www.uswaternews.com/archives/arcsupply/4elxxpaso3.html>

7. Integrated Water Management Strategies for the City and County of El Paso, Far West Texas Planning Group, January 5, 2006, Page 29

<http://www.riocog.org/EnvSvcs/FWTWPG/2006%20Regional%20Plan/El%20Paso%20Integrated%20Water%20Management%20Strategies.pdf>

8. <http://www.ibwc.state.gov/Files/ibwc080907.pdf> p66 (435.6 Ccf per acre foot)

9. $(\$3.21-\$1.50) \times (14.6 \text{ MGD}/748 \text{ Ccf per gallon}) \times 365 \text{ days}$.

10. Water Resource Development: The Challenge To a Region p38