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AZ CORP COMMISSION
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Andrew M. Miller
Town of Paradise Valley
6401 East Lincoln Drive
Paradise Valley, Arizona 85253
(480) 348-3691
State Bar Number 011009

COMMISSIONERS

Jeff Hatch-Miller, Chairman
William A. Mundell
Marc Spitzer
Mike Gleason
Kristin K. Mayes

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR THE INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS PARADISE VALLEY WATER DISTRICT.	DOCKET NO. WS-013A-05-W-01303A-05-0405 **W-01303A-05-0910** MOTION FOR LEAVE TO FILE AMICUS CURIAE BRIEF BY THE TOWN OF PARADISE VALLEY

Comes now the Town of Paradise Valley, by and through undersigned counsel, and respectfully requests that this Commission allow the filing of an amicus curiae brief in the above-captioned rate case.

RESPECTFULLY SUBMITTED this 3rd day of July, 2006.

Andrew M. Miller
Town Attorney
Town of Paradise Valley

Original filed with the Commission.

Copy of the foregoing mailed/delivered
this 5th day of July, 2006, to:

By: Diane Weyland

BEFORE THE ARIZONA CORPORATION COMMISSION

Andrew M. Miller
Town of Paradise Valley
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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR THE INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS PARADISE VALLEY WATER DISTRICT.	DOCKET NO. WS-013A-05-W-01303A-05-0405 AMICUS CURIAE BRIEF BY THE TOWN OF PARADISE VALLEY

STATEMENT OF FACTS

On June 3, 2005, the Arizona-American Water Company ("Arizona-American") filed an application with this Commission for a rate increase for its Paradise Valley Water District. The sum of their request was that the increase was needed for changes in revenue since the proceeding rate case seven years prior, revenue recovery necessary due

to federal arsenic regulations, and revenue recovery necessary to improve water lines so as to improve flow capacity, including improved fire flows within the District.

During the pendency of this application, the Residential Utility Consumer Office ("RUCO") has repeatedly urged the Arizona Corporation Commission (hereinafter the "Commission") to deny Arizona-American's application based on, among other things, the fact that the Town of Paradise Valley ("Town") is in support of the application. RUCO repeatedly argues that because the Town, among others, desires that there be adequate water pressure for its residents served by American-Water to improve not only domestic flow but fire flows as well, the costs of the system improvements should be paid for by the Town and not the customers of Arizona-American. It is estimated that the costs for improving the Arizona-American system, including costs associated with improving fire flow, will be approximately 16.6 million dollars.

For the reasons stated below, the Town is providing this brief to address the reasons, both legal and practical, that Paradise Valley cannot undertake system improvements related to increased fire flows, thus it is both appropriate and prudent that American-Water should make these improvements.

LAW AND ARGUMENT

A. Historical and Procedural Background.

Historically, the Town of Paradise Valley has prided itself on having limited government. The Town has not provided many public utility-type services such as water, garbage service, and to a great extent, sewer service. Most of these public utility-type services have been provided through a variety of private companies (or other municipalities that have

purchased the private companies and inherited their service areas or otherwise offered to extend services into the Town). As for water, over the years since the Town's incorporation in 1961, the number of water companies has actually decreased as some of the private water companies have purchased the service areas of some of the other companies. At the present time, there are only three companies that provide water to property owners in the Town, the Berneil Water Company, the City of Phoenix Water Department (municipal), and Arizona-American.

For at least the last eight years, the adequacy of the water systems in the Town has been a source of wide-ranging complaints, from inadequate pressure so as to be able to take a morning shower to cloudy and undrinkable water coming from the kitchen faucet. More recently, the complaints have extended to not only the inadequacy of domestic flows, but also to concerns about the requisite water pressure and supply for adequate fire suppression. The Town had been conducting informal discussions with the private water companies for a number of years, which had led to some water system improvements, most significantly the City of Phoenix's budgeting approximately $8 million to fund water system improvements in certain areas of the Town that needed these improvements.

After some initial discussions about the possible inadequacy of the private water systems in the Town, the Paradise Valley Town Council ("Council") established a Council study committee (the "Water Committee") to look into what the problems were with the water systems in the Town and what improvements could be made to these systems to address these problems. The Water Committee itself has no authority to take legal action, but can recommend to the Council actions that it can take. One of the problems with the water systems in the Town that was identified for study was whether additional infrastructure

1 improvements would need to be built, particularly new water supply lines. The Town
2 Attorney's Office was asked by the Town Manager to look into a number of possible ideas
3 and concepts to see what the Town could do either by way of new Town regulations and codes
4 or by way of assisting in the construction of any necessary water system improvements.
5 Both domestic and fire flow problems were initially identified as potential problems
6 that existed in different areas of the Town. The problems also varied between the various
7 companies that provide water utility service to the Town's property owners. During one of
8 the early Water Committee meetings, one solution suggested by a resident was that the Town
9 should just purchase all of the water companies in the Town and basically abandon its
10 "limited government" tradition. This idea did not gain any traction and was not explored by
11 the Water Committee, but in many respects is tantamount to the same argument that RUCO is
12 making in its briefs, as will be discussed more fully below.
13 Based upon the research that the Town Attorney's Office conducted at the request of
14 the Town Manager, there was little in the way of additional Town codes or regulations that
15 could be imposed on the water utility companies in the Town that would bring about the
16 substantial improvements desired for the three water companies in the Town. One proposal,
17 which it was believed that the Town could legally do, was to require that all new plat
18 submittals be accompanied by a water service impact study addressing the adequacy of water
19 flow and pressure in the immediate area of a proposed subdivision, including accompanying
20 improvements to assure adequate water pressure and flows per Town standards. These
21 improvements could include new water lines and other fire flow related improvements
22 required by the Town's Fire Code for fire hydrants that would serve a new subdivision. The
23 Town has adopted these requirements, which has resulted in developer funded improvements

to the private water lines and other system improvements made in relation to the impact of new subdivisions. However, these localized water line improvements near new subdivisions in the Town will not provide the level of improvements that would be desirable for adequate water system improvements, including better fire flows, in the remainder of the Town, especially in areas that had been subdivided many years earlier.

One of the questions researched by the Town Attorney's Office was whether the Town could assist in the construction of the new water lines, particularly new trunk lines, for the private water companies, by means of a loan from the Town to the private water company, or through an improvement district, or by budgeting funds each year to just build these lines and then lease them to the private water companies for their use. In addition to serious questions about how this could be accomplished within the Town's tight expenditure limit (as set by the Arizona Constitution and state statutes) and the adequacy of Town revenues to pay for the improvements, two specific legal impediments were identified that would prohibit the Town from providing such assistance (see subsections B and C that follow regarding the "Gift Clause" prohibition and the "Utility Vote" restriction, respectively). Because there is scant Arizona caselaw on the topic of the ability of municipalities to assist in the construction of private water company service systems (other than by drawing factual analogies from the few cases noted in the next two sections), legal opinions on the Town's ability to assist in constructing new water lines for the private water companies were sought from senior city attorneys, legal counsel for the Arizona League of Cities and Towns, and most importantly, from attorneys who serve as bond counsel for cities seeking to use debt instruments as a means of funding municipal projects. Overwhelmingly, the opinions given by these other

1 attorneys supported the conclusion that the two legal prohibitions listed below would preclude
2 the Town from financing the private water system improvements.

3 The opinion of bond counsel was of particular importance as it would be impossible
4 for the Town to issue bonds, or any other form of debt instrument to pay for the water system
5 improvements, without bond counsel signing off on the legality of the transaction. The filings
6 by RUCO and the accompanying testimony of one of its experts assumes that the Town could
7 issue bonds to help pay for the water system improvements (see for example, the testimony of
8 Marylee Diaz Cortez at page 8, line 14). However, bond counsel opinions would preclude
9 such an avenue.

10 The legal advice the Town Attorney's Office has provided to the Town Manager, the
11 Council, and the Water Committee has consistently noted the legal prohibitions stated in the
12 two sections that follow and that other attorneys have concurred in this opinion. This advice
13 did not always appear in the minutes of the Water Committee meetings as most municipal
14 attorneys prefer to not render legal advice at public meetings. However, the legal opinions on
15 the Town's inability to assist with the private water company infrastructure needs were widely
16 known among the Town staff and Council members and were noted in at least one set of the
17 minutes of the Water Committee (see attached Exhibit A, Water Committee meeting minutes
18 for July 5, 2005).

19 To the contrary, RUCO has cited the Town's payment of the costs incurred by the City
20 of Scottsdale ("Scottsdale") in the installation of an emergency water connection between the
21 Scottsdale water system and the Berneil Water Company system as being dispositive on
22 RUCO's position that the Town would have no legal impediment to paying for the system
23 improvements for which Arizona-American has requested a rate increase. (See, for example,

1 RUCO's Reply Brief, at page 6, stating that "Incredibly, it is the Town attorney himself,
2 Andrew Miller, who...told the Town's Water Committee that there is no legal impediment to
3 the Town paying for the cost of fire flow infrastructure in the Town's other water utility,
4 Berneil Water Company.") However, RUCO's characterization of this transaction is not
5 accurate. Also, because RUCO focuses so much on this one transaction, it deserves a
6 detailed explanation.

7 The Town's agreement to provide Scottsdale with funds for establishing an automatic
8 interconnection does not equate in any way with the Town being able to spend public funds on
9 improvements to the privately-owned Arizona-American system. First, the Town did not pay
10 for any improvements that would be owned by the private water utility, Berneil, and instead
11 made a payment to another governmental entity, Scottsdale, for an automatic emergency
12 interconnection that would be owned by Scottsdale. In contrast, the water lines that will be
13 constructed pursuant to the current rate increase request will be owned by Arizona-American,
14 thus, as more fully explained below, the Town cannot pay for any part of these lines pursuant
15 to the "Gift Clause" restriction in the Arizona Constitution. Arizona law clearly permits cities
16 to engage in cooperative actions for a number of purposes, including public safety, which was
17 the prime catalyst for the agreement between the Town and the Scottsdale.

18 Second, the automatic interconnection that the Town helped Scottsdale pay for did not
19 supplement the ability of the Berneil Water Company to provide for "domestic flows" to its
20 customers, whereas the new lines to be constructed by Arizona-American will carry both fire
21 flows and domestic flows to service individual customers. Historically, Scottsdale and
22 Berneil already had an interconnection that was manually controlled and could be used by
23 Berneil should it need to access the additional water storage from Scottsdale in the event

Berneil needed such storage capacity, regardless of whether it was for domestic or fire flow needs. Berneil did at one time have a water storage tank at the manual interconnection location, but removed the tank when it agreed to sell the tank site to Scottsdale so that Scottsdale Road could expand from two lanes to three lanes. As part of that acquisition, the City of Scottsdale agreed to the manual interconnection. The Town's role was to provide Scottsdale with the funds needed to change from a manual interconnection to an automatic interconnection that could be radio-controlled and activated by a request from the appropriate fire department.

The automatic interconnection payment is closely analogous to the Town's payment for part of the costs of new fire hydrants, a similar improvement that the Town has historically paid for and that is also connected to a private water utility system and is used exclusively for fire fighting purposes, albeit at the end of the delivery system rather than the beginning. As both the automatic interconnection and the fire hydrants are publicly owned (when paid for by the municipality), and as both are used solely for public safety purposes, they necessarily do not fall within the legal limitations noted in sections B and C below.

B. The "Gift Clause" Restriction: The Town Is Prohibited By Article 9 § 7 of the Arizona Constitution From Financing Fire Flow Improvements To Arizona-American's Infrastructure.

Article 9 §7 of the Arizona Constitution, the Gift Clause, provides:

> "Neither the state, nor any county, city, town, municipality, or other subdivision of the state shall ever give or loan its credit in the aid of, or make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation, or become a subscriber to, or a shareholder in, any company or corporation, or become a joint owner with any person, company, or corporation, except as to such ownership as may accrue to the state by operation or provision of law or as authorized by law solely for investment of the monies in the various funds of the state." (Emphasis added).

It is axiomatic that a governmental body may expend funds only for a public purpose. Wistuber v. Paradise Valley Unified School District, 141 Ariz. 346, 687 P.2d 354 (1984), (citing Proctor v. Hunt, 43 Ariz. 198, 201, 29 P.2d 1058, 1059 (1934)). What was asked several years ago was whether the Town could assist Arizona-American in a joint process to provide Town funds to increase the size of the Arizona-American water lines both within the Town, and, to a limited extent, outside the Town (some of the increased water lines would start at the well and storage sites just east of the Town and located in the City of Scottsdale). As the suggested mechanisms for a joint process were explored, each ran afoul of the constitutional prohibitions underlined above: (1) Could the Town institute an improvement district to pay for the larger water lines? No, as doing such would be tantamount to the Town "lending its credit" to the water utility and possibly involve the Town becoming a "joint owner" of the water lines (and, problematically, such a district could not likely fund improvements to lines located outside the Town). (2) Could the Town sell bonds to build new water lines and allow Arizona-American to lease them for a reduced rate, eventually turning over ownership in 20 or more years once bonds used to pay for the lines were paid off? No, that would still be "lending the Town's credit" and the payment of anything less than the full cost of the lines would be a "subsidy" or "donation" to the private corporation. (3) Could the Town simply give Arizona-American the funds to make the water line improvements? No, as the lines would be owned by a private corporation, this would be an inappropriate "donation" and a direct "subsidy" (this is in direct contradistinction to RUCO's assertion that the Town could make a payment similar to how a private developer might make a Contribution in Aid of Construction to a private water utility, see testimony of Marylee Diaz Cortez, at page 8).

The direct language of Article 9 §7 precludes any of these as viable alternatives as none meet the test of being a "public purpose." One problem never addressed by RUCO in its brief is how public money can be used to pay for water lines that will be owned by a private corporation or, even if the lines were to somehow be publicly-owned, how that private corporation could utilize such lines for the provision of water to its private customers without such becoming an illegal grant, subsidy or joint venture.

Additionally, a two-part test has evolved to test the constitutionality of government expenditure pursuant to the Gift Clause. In City of Tempe v. Pilot Properties Inc., 22 Ariz.App. 356, 527 P.2d 515, (1974), the court of appeals stated that in addition to the necessity that the public expenditure must be for a public purpose, there must also be "consideration" that is not "so inequitable and unreasonable that it amounts to an abuse of discretion," such that the expenditure equates to a private subsidy. Id. At 363, (quoting City of Phoenix v. Landrum & Mills Realty Co., 71 Ariz. 382, 388, 227 P.2d 1011, 1014 (1951)). RUCO's arguments in its Closing Brief submitted in this matter also fail to address the second part of the test set forth above; that the government expenditure of money on a public purpose must be supported by adequate consideration; that is, the public must be fairly rewarded by the expenditure. Considering that the increased water lines would be used to provide "domestic flows" to individual customers for, conservatively, over 99% of the time versus being used for fire flows, it is difficult to justify such a public subsidy without an appropriate apportionment of the consideration to be paid by the Town. As stated, it is RUCO's position that the Town should pay the entire $16.6 million (although apparently it may likely be more than that). What RUCO fails to address is the fact that Arizona-American serves less than one-half of the residents of the Town. Certainly, it defies reason to suggest that any meaningful consideration

for the 16.6 million tax dollars would ever be provided to the non-Arizona-American customers.

RUCO's reliance on Town of Gila Bend v. Walled Lake Door Co., 107 Ariz. 545, 490 P.2d 551 (1971) is misplaced. What RUCO has overlooked, but what the Supreme Court did not, in Town of Gila Bend, is the simple yet critical fact that the municipality in that case was to retain ownership and control over the water line that they were to provide. In rejecting the Gift Clause argument propounded by Gila Bend, the court noted "[A]ppellant overlooks the fact that ownership and control over the water line are to remain in the Town." This is critical to the analysis of the Gift Clause and how it relates to the present case. Certainly, there is a much stronger argument to be made in support of finding no Gift Clause violation when the municipality actually gets to retain ownership of the thing for which it has paid tax dollars. By contrast, in the present case, RUCO insists that the Town not purchase nor own the water lines at issue, but instead simply give the $16.6 million to Arizona-American, who will then perform the improvements. Certainly, the fact that the Town would actually be *giving* something of value to a private entity, contrasted with Gila Bend who was simply *paying* for something they were able to keep, readily distinguishes this case from the Town of Gila Bend case.

What RUCO has suggested can be done to avoid the gift clause could only be accomplished by the Town building a completely redundant set of water utility lines that would be dedicated solely to fire flow purposes. This would not only be the most expensive and impractical solution to the problem (in addition to being so expensive that the "public" as a whole would not be well served by such an approach), but it also begs the question, where could the Town obtain sufficient water sources and storage for use in a redundant set of fire

flow water lines? The only legally viable solution that would allow the Town to expend funds for the water line improvements would practically require that the Town buy the private water corporations in the Town—a solution that no one wanted to explore when it was raised at the Water Committee level and which would be a colossal waste of money when compared with the more practical answer of having the private water company improve its own lines while having those that benefit most (the company's own customers) pay for it. The proposed means to avoid a "Gift Clause" problem are not prudent and should not be explored, nor could they unless the Town was to first approve a "utility vote" as noted below.

C. The "Utility Vote" Requirement: A.R.S. §9-514 Represents A Practical Impossibility to Town Provision of Fire Flow Improvements to Arizona American's Infrastructure.

RUCO, in their Closing Brief, once again misses the mark in addressing the implications of A.R.S. §9-514 on the present case. The primary impediment presented by this statute is not the absolute prohibition on the Town in providing for the fire flow improvements, but rather the fact that it would first be necessary to conduct a vote of Town residents prior to commencing such an endeavor—and such a vote has not been conducted. As previously discussed, even if the Town could attempt to circumvent the Gift Clause prohibition through ownership of the $16.6 million in system improvements, such an expenditure would necessarily draw the Town into the rubric of A.R.S. §9-514, as noted below. Absent unabashed altruism, such a vote would almost certainly prove fatal to the proposed expenditure of Town money as it would be highly unlikely that a majority of the Town's residents would vote to permit the Town to acquire even a portion of a utility plant for an area that serves less than half of the Town).

A.R.S. § 9-514(A), Authority to Engage in Utility Business, provides as follows:

> **A.** Before construction, purchase, acquisition or lease by a municipal corporation, as authorized in §§ 9-511, 9-511.01, 9-511.02, 9-512 and 9-513, of any plant or property or portion of plant or property devoted to the business of or services rendered by a public utility shall be undertaken, the construction, purchase, acquisition or lease shall be authorized by the affirmative vote of a majority of the qualified electors who are taxpayers of the municipal corporation voting at a general or special municipal election duly called and held for the purpose of voting upon the question. (Emphasis added.)

Of the aforementioned means of assisting Arizona-American that fail to pass the "Gift Clause" restriction, all also run afoul of the objective language of A.R.S. § 9-514(A) as they would have the Town engage in either the "construction, purchase, acquisition or lease" of some "portion of plant or property" devoted to Arizona-American's public utility service. First, as noted, the Town itself has never voted to authorize the Town to engage in the water utility business. Second, even if it had such a generic election, the exact facilities to be constructed or purchased by the Town would need to be specified.

Arizona case law has affirmed this election requirement in similar contexts. In Graham County Electric Cooperative v. Town of Safford, 95 Ariz. 174 (1963), the Supreme Court of Arizona affirmed Safford's obligation of holding an election prior to the purchase of an electric facility. The Court so held despite the fact that Safford had previously secured voter approval to purchase then-existing electric facilities, the Court noting that the facility sought to be purchased did not exist at the time of that vote. Additionally, in City of Casa Grande v. Arizona Water Company, 199 Ariz. 547 (App. 2001), Division 1 of the Arizona Court of Appeals affirmed the dismissal of the City of Casa Grande's condemnation action to obtain a portion of water company assets. The court held that A.R.S. §9-514 required that the City of Casa Grande obtain voter approval prior to the acquisition. In addition to the affirmation of the City's duty to place the acquisition on the ballot, this case also stands for

the proposition that voter approval will nevertheless be required even when the acquisition is only for a portion of the utility. Owning even a portion of the water lines that would be used to supply the customers of Arizona-American would thus draw the Town within the scope of the election requirement.

For legal, fiscal, and political reasons, the Town is simply unable to gift Arizona-American $16.6 million for fire flow improvements. The only other alternative mechanism for Town fiscal involvement in these improvements is for the Town to purchase and acquire the infrastructure necessary for these improvements. This purchase and acquisition cannot happen without a majority vote of Town residents. A.R.S. §9-514 provides a fatal impediment to this course of action at this time. Further, as previously mentioned, because Arizona-American serves less than one-half of the Town's population, simple math dictates the obvious result of such a vote due to the high improbability that Town residents not served by Arizona-American would agree to spending $16.6 million dollars of public money for fire flow improvements from which they would never benefit.

CONCLUSION

For the reasons stated above, it is the Town's position that the Town is both legally, and practically, prevented from either gifting, or expending for purchase, the 16.6 million dollars necessary for fire flow improvements for Arizona-American customers. It is hoped that this briefing will provide some guidance to the hearing officer and the Commission in its consideration of the rate increase request by Arizona-American.

RESPECTFULLY SUBMITTED this 3rd day of July, 2006.

Andrew M. Miller
Town Attorney
Town of Paradise Valley

AN ORIGINAL AND FIFTEEN COPIES
of the foregoing filed this 5th day
of July, 2006 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

COPIES of the foregoing hand delivered/
Mailed this 5th day of July, 2006 to:

Lyn Farmer
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Teena Wolfe, Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Christopher Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Craig A. Marks

Corporate Counsel, Western Region
American Water
19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

Robert J. Metli
Snell & Wilmer L.L.P.
One Arizona Center
400 E. Van Buren
Phoenix, AZ 85004-2202

Daniel Pozefsky
RUCO
1110 W. Washington, Suite 220
Phoenix, AZ 85007

TOWN OF PARADISE VALLEY
WATER COMMITTEE
MINUTES OF MEETING
JULY 5, 2005

1. CALL TO ORDER

The meeting was called to order at 4:00 p.m. on July 5, 2005. Those present are indicated on the attached attendance list.

2. APPROVAL OF MINUTES OF APRIL 5, 2005 AND MAY 3, 2005; REVIEW OF NOTES OF JUNE 7, 2005

A motion was made by Chair Winkler to approve the minutes of April 5, 2005 and May 3, 2005, seconded by Mary Hamway and unanimously approved.

Jane Cole suggested that the meeting notes of June 7, 2005, specifically item 4, line 4, be amended to read "the contractor will be ~~completed~~ finished in two weeks." With this change, the meeting notes were received and filed.

3. FIRE SAFETY UPDATE

Assistant Chief Fitzgerald gave an update on Fire Department activities in the prior month. He described the brush fire of June 23, 2005, and how it was quickly brought under control by the Rural/Metro Fire Department with a large contingent of mutual aid from the cities of Phoenix and Scottsdale. The Committee noted that the entire operation was well handled, and that this brush fire is indicative of the significant wild fire hazard this summer.

In response to an inquiry by Chair Winkler, Chief Fitzgerald described the inspection and notice process used for weed abatement. Chief Wintersteen gave a summary of the new fire prevention program which has been implemented by Rural/Metro and the Town's Police Department, in which fire department equipment will cruise the Town, note locations of potential fire hazard and work with residents to implement proper fire prevention measures.

4. CITY OF PHOENIX WATER SYSTEM IMPROVEMENTS UPDATE

Mr. Martinsen briefed the Committee on the status of several City of Phoenix water system improvements. He noted that the Invergordon Road water transmission main has been completed and successfully tested, and that the contractor is currently restoring the street surface. It was noted that the contractor is very late in completing the project and may be assessed major liquidated damages by the City of Phoenix.

Exhibit "A"

The status of the arsenic treatment facility improvements at the well site at Morning Glory and Caballo Drives was reviewed. It was noted that work is scheduled for completion by February 2006, and that no resident complaints have been received by the Town on this construction work.

Mr. Martinsen summarized recent discussions with the City of Phoenix regarding the acquisition of a site for a pump station in the Cheney Drive corridor. He stated that the City of Phoenix has not been able to discuss acquisition of the Hughes parcel, and that Phoenix is also considering another currently vacant parcel on Cheney Drive in this vicinity.

In response to an inquiry by Mary Hamway, there was discussion regarding the City of Phoenix five year Water System Improvement Program valued at over $8 million. Mr. Martinsen described the process used by the City of Phoenix in determining the optimal improvements which may be made for the funding which is available. He stated that Phoenix may in the future consider funding other portions of the original $25 million estimated cost of water system improvements necessary to bring the entire system to the Town's fire flow requirements. A discussion ensued regarding the feasibility of the Phoenix Water Department increasing rates in Paradise Valley to accelerate and expand the water system improvements. Chair Winkler inquired if the Town should consider cost participation in the Water System Improvement Program, as it does in the utility undergrounding program. Mr. Miller advised that there may be legal problems inherent in the Town contributing funding for water system improvements, particularly with private water companies in which a "gift of public funds" may result.

Chair Winkler also inquired of Karl Kohlhoff the feasibility of building the pump station underground in the street area. Mr. Kohlhoff stated generally that it may be feasible to construct smaller pump stations underground, but that larger pumping systems would pose difficulties and are more feasible above ground.

After further discussion it was generally agreed that a discussion of fund sources for future water system improvements may be scheduled at a future Water Committee meeting.

5. BERNEIL WATER COMPANY UPDATE

Mr. Kohlhoff summarized a discussion he had earlier in the day with Dave Petty of the City of Scottsdale. Mr. Petty advised Mr. Kohlhoff that the automated valve at the Berneil Water Company connection has been installed, and that electric power should be connected by the end of the week. Mr. Kohlhoff stated that he would follow up and report back to the Committee.

Chair Winkler asked that a field demonstration of the automatic valve at the emergency connection be scheduled in the future, and Mr. Kohlhoff agreed to follow through.

Mary Hamway inquired what Berneil Water Company's plans are for arsenic removal. The Committee requested that Mr. Kohlhoff ascertain the Berneil plan and report back to the Committee.

6. ARIZONA-AMERICAN WATER COMPANY UPDATE

Richard Moore gave an update on the McDonald Drive/Tatum Boulevard water main replacement project, noting that work should be completed within about two weeks time. Chair Winkler expressed appreciation to Mr. Moore for the regular attendance and participation of Arizona-American personnel at Water Committee meeting.

Chair Winkler suggested that a tour of the Arizona-American Water Treatment Plant on Miller Road be scheduled sometime in the future.

7. FIRE HYDRANT MAPPING

Assistant Chief Fitzgerald gave an update on the fire hydrant inspection and logging process.

Duncan Miller gave a demonstration how the public may access the Town map depicting fire hydrant locations through the Town web site. Mary Hamway suggested that a future issue of Town Topics mention the availability of the fire hydrant map at the web site.

8. NEXT MEETING SCHEDULE AND AGENDA TOPICS

Chair Winker stated that the next Water Committee meeting will be held on August 2, 2005 at 4:00 p.m.

A discussion of potential future agenda topics ensued. The Committee discussed water conservation landscape requirements, and whether the Town should mandate the use of desert landscaping and preservation of existing native landscape materials. The Committee expressed interest in forming a citizen's group to study landscape requirements and to make recommendations in this regard to the Water Committee.

The Committee briefly discussed residential redevelopment trends in the Town and Mr. Martinsen noted that this topic is scheduled for discussion at the joint Town Council/ Planning Commission work/study session on July 12.

Mary Hamway asked that there be further discussion on funding methods which could be used to build the long term water system improvements Phoenix identified, but for which funding is not currently available.

Mary Hamway and Chair Winkler requested additional information on the Town's water service impact study requirement, and a discussion on this topic ensued. It was generally agreed that this topic will be placed on a future meeting agenda for discussion.

9. ADJOURNMENT

The meeting was adjourned at 5:50 p.m.