

ORIGINAL



Patty Berry
8332 N 16th street
Phoenix, Az 85020

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Arizona Corporation Commission Utilities Division
1200 W Washington
Phoenix, Arizona 85007

AZ CORP COMMISSION
DOCKET CONTROL

Regards to Supplemental Staff Report for Groom Creek Water Association Docket W-01865A -07-0385 and W-01865A-07-0384.

Engineering Report (page 3) item I-1B, the initial rate filing of the Association requested \$7,500.00 impact fee for new service of 5/8x3/4 inch meter installation. According to the Association the amount for this fee was "taken out of the air"? This I see is just one of the problems with the current management of Groom Creek Water, their proposal to replace the entire water main lines is totally out of line they state the system was put in the 50's I find this not true the last section was much later in the 70's, this per public record on file at the County so there is no reason to replace these line and burden the members with this cost, this being the reason stated for the huge rate increase. The current rate for 0 Gallons is 14.00, the Association requested 42.00, Staff recommendation of 50.00 for 0 Gallons this is an excessive amount to just have a meter and not allowing any gallon usage at all, at the very least allow for 1000 to 1500 gallons of usage.

Please note that only three times since 1999 did corporate tax return show a negative cash flow and one of those years being 2007 the first year this sitting board took office. The Association Board refers to other water company's in the area 's rates to support one of the reasons that such a huge increase is warranted some of the reason these other company's have been poorly managed and in my view this is the path this company is going down. Please make note that in the past the Groom Creek Association was among the top 10 best managed company's it has failed to make that list in the past 1 1/2 year's.

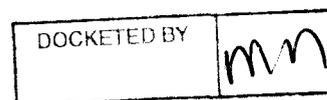
Please find attached news letter sent out by Association Board in regards to the leak on Silver King in Oct.07 first of all the cost for this repair was totally out of line per contractor's in this type of business this should not have cost more that 2,500.00 and they paid \$6,619.00. The reason for the break see attached item #5 not true that the whole system is like this.

Please find attached list of oppositions and agreements to the Staff's proposed Rate Change. It appears that there has been too much of the statement by the Association Board being done, we just "took it out of the air". This is a continuation of the original intervention by the following people. Address and signature on file.

John and Marian Cree
Patty Berry
Mary Turbyfill
Marjorie Navarro
Robert Schulz
Donald Muller

Arizona Corporation Commission
DOCKETED

JUL 17 2008



List of Oppositions and Agreements To Staff's PROPOSED RATE CHANGE

1. Originally, opposed to Staff's proposed New Meter/Service rate of \$2,000 for the following reasons.

33 empty lots: 16 lots HAVE service line and meter box (blow out line, drop a meter)

13 lots could easily T-off adjacent service

4 lots do not have service lines from main distribution. However, 2 are owned by existing customer of which would probably not build on vacant lot and/or vacant lot has been split. ONLY, 2 would have extremely high costs because a line would have to be tapped from main distribution line.

Association apparently provided receipts for the last new service. It was abnormally high due to different personnel doing the job. FYI: GCWater used to have a mutual agreement with the City of Prescott to borrow their water tap which defers costs. Also Rocky Mt. Underground usually handled all jobs at a very reasonable fee.

With only two (2) lots that would need new service lines, recommend that ACC reconsider their price analysis to be fair to the other 31 prospection customers. It should not take \$2000 to drop a meter in an existing box.

2. Opposed to Base Rate of \$50.00
3. Association proposing to replace all water meters. Per 3 newsletters, approx. 1/3 has been replaced.
4. Association proposing more valves. There are 33 isolation valves; 13 Blow-off valves. Analysis as to function/locale was performed in past years by the late Dick Fisher, past Board President, Operator, and hydrologist. Current maintenance has not utilized isolation valves, nor use Blow-off valves. The complete system was shut down numerous times. Why install more, when present is sufficed?
5. Regarding picture of water line break on Silver King Circle: This does NOT illustrate a normal faulty breakage. First breakage was caused by County Road Dept. using a jack hammer for 4 solid days on a granite boulder. There was a meeting between County officials, some water board members, and water operator---County official could not deny pipe breakage was not in character of a normal old-aged pipe breakage. *Present Board is communicating that the entire system looks like this --stated by Jerry Hodgson "You saw the condition of the pipes in the flyer we sent out."* This is UNTRUE.
 - a. Before paving Silver King Circle, a meeting with County Engineer, County Road Dept., Rocky Mt. Underground, GC water operator, GC board member was held. It was the official's recommendation that water mains did not need to be replaced prior to paving.
6. Agree with Staff recommendation of securing a long term amortization loan 18 - 30yrs.
7. FYI: Originally it was imperative that water pipe replacement be completed prior to the Yavapai County road pavement. Recently, spoke to Earl (County Road Dept) He stated they have

depleted their road funds for this year, and does not know when the pavement road project will resume.

8. In the Engineer report and ACC Staff report, a depreciation rate change was recommended. One recommendation was 50yrs whereas a 20yr straight-line was implemented from time of inception. The 20yr. mark was reached on several assets that make up the Utility Plant in 2006. By implementing the Staff's recommended depreciation schedule, there would be 25 to 30 additional years. In referring to Water Distribution manual, transite pipe is primarily used because of its life expectancy.

a. Water Main Pipes are NOT 50 yrs old or as report by GCWUA Board of Directors that pipes have been in ground since 1949.

i. Do not know completion date of original installation of distribution system. However, the following is the date of original application to install distribution system.

1. Groom Pines Plat A: 5/5/59 Groom Pines Plat B: 5/28/59

Groom Pines Plat C: 6/14/62 Groom Pines Plat D: 8/23/67

Groom Creek Estates 1 & 2: 5/29/70

9. Board keeps telling members there is leakage. Last newsletter stated there is a leak estimated to be 200,000 gallons per month and they are having a hard time locating such leak.

a. How was this loss calculated? There are new meter readers, perhaps the 3 master meters were not read within a reasonable time to reflect the most accurate "Gallons Pumped" compared to "Gallons Sold". If master meters are read late or another date, then the ratio increases, thereby showing a major loss.

b. A route report can be generated to show which route has considerably increased usage from previous month or year.

**Special Report to all Members of the Groom Creek Water User's
Association
Regarding the Water Main Break on Silver King Circle**

Your Board of Directors has been trying to initiate a major project to upgrade and modernize the Groom Creek water system. To accomplish this task a significant increase in water rates is required to finance the project. This rate increase requires Arizona Corporation Commission approval which is currently being reviewed by them.

There are some residents in Groom Creek who are still opposed to the rate change and feel that it is not necessary to do anything at this time even though the operating system is now well over 50 years old. The attitude is "If it ain't broke, don't fix it!" as one resident was reported as saying to the Board president about a month ago.

This special report is to tell everyone that **"The system is broken and it has to be fixed!!!"** On Friday October 20th at 11:30PM a major water line eruption occurred under the asphalt paving on Silver King Circle. Water was found spewing out under the asphalt and the entire water system was shut down. At 5:00 AM on Saturday morning the affected portion of the water main was finally isolated and the rest of the system was re-activated and pressurized. A total of 17 homes were in the broken pipe zone and six of the homes were occupied at this time. It took until noon on Tuesday, Oct. 23rd to repair the line and re-establish service to the 17 homes. Emergency drinking water was provided by the Association to the occupied homes during the three day outage.

The asphalt had to be saw cut and a trench 32 feet long had to be dug to expose the water main. What the repair crew found was a 20 foot length of piping that had stress corrosion cracking the length of the pipe. This was a failure that was not caused by a specific incident but by age of the piping. Photographs of some of the cracked pipe sections are attached to this report so that all can see what is happening to our infrastructure and it is not good. It may be fortunate that this happened when it did because it is the evidence needed to hopefully convince everyone that this project must go forward.

The cost to the Association to repair the break in the line was \$ 6,619.00 including repaving after the trench was back filled. (See details at end of report) Again, this was for only a 32 foot section. If you will remember, the Board was able to get Yavapai County to postpone the road paving until the water mains could be replaced. We could have let the county pave the roads and then come back later to replace the lines. If we take the above noted actual cost and extended that cost to the entire grid network assuming it was all paved, the estimated total project cost would be about \$ 4,500,000.00 compared to the current estimate of about \$ 500,000.00. (This figure will be firmed up in the near future as the engineering study progresses.)

Unfortunately, our whole grid system is antiquated and **MUST** be replaced. We also

suspect that there are currently other stress cracks in the system that we do not know about because no surface water has been found. The reason for this is that in 2006 a total of 500,000 gallons of water was pumped from the ground that could not be accounted for as water sales. This was prior to the great cold snap in January of 2007. The unaccounted for water loss in 2006 was 7 percent of all the water pumped.

It is only a matter of time until we have another break somewhere else in the system. If we don't aggressively address these problems, we are not doing the job you elected us, as Board Members, to do. We are desperately trying to get the funds to replace our system. That is why we are seeking a substantial rate increase.

Don't forget that our homes in this forest paradise are useless without an adequate water supply.

GCWUA Board of Directors

cc: All Association members
Arizona Corporation Commission
Margie Good

Details of Repair Costs

Backhoe	\$ 853.00
Labor	1829.00 -
Pipe Materials	733.00 -
Saw Cut Pavement	150.00
Concrete	1230.00
Dump Truck Haul off	548.00
Backhoe Transport	450.00 ✓ -
Asphalt Paving	<u>826.00</u>
Total	\$ 6,619.00