ORIGINAL

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REHEARING

Groom Creek Water User Association
4209 S. Adeline Dr.
Prescott, AZ. 86303
October 16, 2008

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Arizona Corporation Commission
Water Utilities Division
1200 W. Washington St.
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED
OCT 20 2008
DOCKETED BY

To: Chairman Mike Gleason,
Commissioner Kristin Mayes
Commissioner William Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce

Reference: Docket No. W-01865A-07-0384/~~0385~~ & W-01865A-07-0385

The Groom Creek Water Users Association Board of Directors is hereby filing a motion with the Corporation Commission for a rehearing of it's rate and finance application referenced above at the November, 2008 open commission meeting. The representatives for the Association were not given due process to present its case at the October 15th meeting particularly in light of false information presented by an intervener that was not disclosed to the Board of Directors prior to the meeting and could not be rebutted due to insufficient time allowed.

Please refer to the attached letter of explanation as to why this re-hearing is required.

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For The Board of Directors

Kal Miller

Kal Miller
Secretary
GCWUA

Cc: Board of Directors: Jerry Hodgson, Dean Clemit, Loren Greenberg, Todd Starr, LeRoy Sites, Ernie Serrano Jr., Ernest Alldredge, Cindy Tirotta

Groom Creek Water Users' Association
4209 S. Adeline Dr.
Prescott, AZ 86303

October 20, 2008

Arizona Corporation Commission
Water Utilities Division
1200 W. Washington St.
Phoenix, AZ 85007

Reference: Docket No. W-01865A-07-0384/0385
Subject: ACC Commission Hearing Held on October 15, 2008 and Request for Rehearing

To the Immediate Attention of the ACC Commissioners and Staff:

We are extremely disappointed and frustrated with the Corporation Commission decision regarding the Groom Creek Water Users Association request for a rate and financing request heard on October 15, 2008. It is critical that you reconsider your decision at a **full** rehearing as soon as possible. We understand it was late in the day and the Chairman wished to conclude a long day, but we felt the procedure followed was extremely irregular as there was no opportunity for representatives of the Association to fully present their case, to be adequately heard, or to counter erroneous and misleading information submitted. A petition was sent by certain interveners to the Commission, however the Board of Directors had never seen this petition prior to the hearing, nor did we have a copy during the hearing. Contrary to the statements made by Patty Berry at the hearing, this document had not been presented to the Board prior to the meeting nor have we received this document as of this writing. Evaluation of the petition after the hearing, after securing a copy off of E-Docket, revealed gross deficiencies as noted below:

1) This is a "petition" allegedly directed to the GCWUA Board of Directors, yet it was never presented to the Board nor does it follow any actionable procedure under our association by-laws. There are only 51 legitimate 'members' or 'hookups' represented as signers of this 'petition.' The Commissioners were misled to believe that 74 members of our 228 member water company signed this document, but many signers were husband and wife, some signatures were duplicates, and other signers were individuals that are not even 'members' with hookups to our water company. Of equal importance is the consideration that the erroneous and misleading statements in the 'petition' itself render the signatures suspect as the signatures were procured as a result of the erroneous and misleading information. Unfortunately, this 'petition' was taken at face value by the Commissioners, despite being presented in bad faith at the eleventh hour in this 16 month process, despite being unverified, and despite being withheld from the very Board to which it was supposedly directed.

2) Of the 74 names on said 'petition', at least 12 of the names are interveners which you have heard from numerous times over the past year. Nonetheless, if you give weight to the 51 members represented by this document (despite the misleading information contained and thus the suspect signatures resulting from same) only 22% of the members/hookups oppose the rate increase. The letters of support for the rate increase and financing request far outnumber the members signing on to this 'petition' and we urge the Commissioners to review all letters submitted by interested parties in this matter, including your own Staff reports supporting our rate increase. Also consider all those members that have remained silent because they support and agree with out efforts and feel we are communicating on their behalf. Had they been adverse they have had more than ample opportunity to object.

3) The water is not required to be tested for asbestos on a regular basis so no analytical results would be known.

4) It was stated that 40% of the lines have already been replaced. This is false as the only pipe that has ever been replaced was that due to line repairs. The actual percentage of replaced lines is closer to 1%!

5) The reference to the Association By-laws is a non-issue as it was based on an outdated By-laws edition with regard to Section 3.3. Furthermore, it misstated and incompletely stated the former by-laws provisions mentioned.

The misinformation forming the text of the 'petition' surely confused and falsely induced some residents into signing the document. The Commission can not, in good faith, consider this eleventh hour document as a significant consideration in approving or denying the requested rate increases – put forth by its own Staff Report as both necessary and in the best interests of our water company.

During the October 15th hearing, Commissioner Mayes repeated her concern about "rate shock". However, all the residents in the affected area are well aware of the proposed rate changes and have had plenty of time to plan financially for the proposed increases, and to make their positions known to both the Board and to the ACC. The Board of Directors has gone to extraordinary efforts to keep the residents informed about the rate increases throughout this long process, including the most recent ACC Staff recommendation of $50.00. There is no validity to the assumption that anyone did not know about the magnitude of the proposed increase. The ACC's own notice requirements insure that affected individuals are given adequate notice of such information. In addition to the legally required notice, open meetings (both regular and special) have been held in Groom Creek over the past six months to discuss this issue specifically. This subject has also been reported on numerous times in the Association's newsletters, including summaries of all the ACC hearings and Board meetings.

As many as 60% of the homes comprising our water company members are 'summer' or 'vacation' homes, and their owners own other homes elsewhere. A total of approximately 40

percent of the homes are occupied by full time residents in the Association, and while all of us will be impacted by a rate increase, we have also benefited for years from a very low water bill starting at a mere $14.00. The Commissioners may be interested to know that, of the individuals represented in the eleventh-hour 'petition', 22 of the 51 members own second homes, ranging from estimated home values of $173,000 up to $816,000, and with an average estimated value of $339,000.00. Of all the residents it is realistically estimated that less than three percent could be considered to be on a limited reduced income.* Lastly, it is worth noting that members of our water company have recently experienced a doubling of their property tax bills related to the Groom Creek Fire District. Of course, this is an additional cost for residents to bear, but they do not have the luxury of complaining to their fire district, or challenging their tax bill. Groom Creek Fire District property taxes are approximately $350 to $700 per year, or $29 to $58 per month. Increasing costs for necessities such as local fire protection are a shared burden on all of us, but few among us would question that such fire protection is a necessity any more than residents would question that WATER is a necessity.

* This analysis was based on public information known about residents, past bill payment history, method of payment, number of occupants in household and estimated age of residents.

During the October 15th hearing, Commissioner Mayes also questioned if this project can be done in phases. This project cannot be done in phases, and this issue has been examined and asked and answered numerous times over during this 16-month process. Once new piping is in place it will increase internal pressure on the remaining sections. This will cause failure due to the deteriorated condition of the old pipe, as indicated by the testimony of the ACC's own engineer in prior hearings, as well as from GCWUA's own engineer. The system was fabricated from Mexican transite pipe which uses metric dimensions and thus is very difficult to connect to C900 pipe. Also, this piping material is an inferior product to U.S. made transite pipe. These connections are weak points in the system and must be minimized. In addition, 90% of the total project cost is associated with the installation and only 10% associated with above ground improvements. It should also be pointed out that the original cost of this project was estimated at $2.9 million by the engineering design firm, yet the Board of Directors made extraordinary efforts to safely yet responsibly reduce the scope of the project to $1.6 million before presenting it to the ACC. It was felt that water rates could be raised to finance this lower project amount even though a major rate increase would still be required. The cost to replace the system once all the roads are paved would be $4 to 6 million dollars. We have no potential for significant population growth to which we could spread the costs, and therefore the residents could never afford to replace the system at those dramatically increased costs.

The cost to repair the latest line break that occurred on October 4th is estimated to be close to $20,000.00. The pipe line in this area was buried five feet under asphalt, contrary to yet another incorrect assertion by Patty Berry at the October 15th hearing. (See photo No 7 of the photo packet presented to the Commissioners by the Association). How many of these breaks do the Commissioners think the Association can afford to fix before our small member-owned water company is bankrupt and the Association needs an emergency rate increase to remain solvent? The Board of Directors has already committed over $20,000.00 towards the actual project to obtain the necessary information needed for contractor bids to be solicited. This money was expected to be recouped from the project funds. Failure of the Commission to approve the project has now placed an even greater strain on the Association treasury should more major

breaks like the one that happened on Oct. 4th continue in the near future, and has further delayed us from moving forward.

We must have the funds to complete the infrastructure upgrade now, and the current volunteer Board of Directors is doing its best to address some three decades of neglect. If rates are not approved to allow the financing to move forward, the project is dead and so will be the eventual water supply in Groom Creek. It was Kristin Mayes who spoke so eloquently to our membership in September of 2007, urging us to be responsible and seek a rate increase every 5 to 7 years such as to avoid the disasters of other water companies around the state. Yet she now questions our efforts to catch up with over two decades of stagnant and insufficient rates in order to responsibly manage and preserve our water company!

The Commissioners need to re-address this issue immediately and present a plan that is acceptable to the ACC, the Board of Directors and the real needs of Groom Creek Water Users' Association. Time is of the essence. The Association's Board of Directors requests another hearing before all the Commissioners in order to present our position, rebut erroneous information presented, and otherwise fulfill our mission to serve the best interests of Groom Creek Water Users' Association and its 228 members. The officers of the Board have the right to present its case to the Commission, including cross examination and sufficient time to be heard, as needed to draw this matter to a successful conclusion. As the Commissioner is now well aware, even Patty Berry and others questioning the rate increase acknowledge that replacement of our system is necessary to the current and future viability and independence of our water company. Complaints by a small minority that they simply do not want to pay their share for continued safe and reliable water for their homes should not be allowed to derail the Commission from exercising their necessary oversight and carrying out their obligation of allowing our water company to responsibly and appropriately function, as recommended by their own Staff and this Board, after more than 16 months of effort, scrutiny and good faith.

For The Board of Directors,

Kal Miller

Kal Miller
Secretary
GCWUA

Cc: Board of Directors: Jerry Hodgson, Dean Clemit, Loren Greenberg, Todd Starr, LeRoy Sites, Ernie Serrano Jr., Ernest Alldredge, Cindy Tirotta