

OPEN MEETING AGENDA ITEM



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ORIGINAL

November 6, 2008

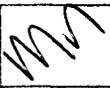
Arizona Corporation Commission
Water Utilities Division
1200 W. Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

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Attn: Chairman Mike Gleason
Commissioner Kristin Mayes
Commissioner William Mundel
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce

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DOCKET CONTROL

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

Re: Groom Creek Water Users' Association (GCWUA)

Dear Commissioners:

This letter is written by a 14 year Groom Creek part-time resident and a two year board member of the GCWUA. The purpose of this letter is to STRESS THE IMPORTANCE OF INSTALLING THE NEW PIPE SYSTEM AND IMPLEMENTING THE \$50 BASE WATER FEE and to reply to Ms. Berry's letter dated October 21, 2008 and to rebut her generalized comments. She has stated five primary objections in her letter.

Ms. Berry's letter states the following: the current board is incompetent; the prior board had a qualified grade-1 water treatment plant operator who received \$950 per month to accomplish any work that needed to be done; the cost of replacing 73 water meters was excessive; the board lacked independence when hiring the person who replaced the water meters; 40% of the Groom Creekers are on limited income; the transite pipe does not need replacing; any replacement of pipe should be done in phases.

I intend to address her comments one by one.

(1) Ms. Berry's COMMENT, the current board is "inexperienced". REPLY: The current board, since September 2006, includes a retired USAF Lt. Colonel and occupational health & safety officer for more than 10 years for a city with a population in excess of 150,000; a licensed engineer for more than 30 years; a certified public accountant of 30 years who for 2½ was a president of a Phoenix social service agency with a budget of \$800,000; and a businessman who owns seven restaurants and a business executive with forty years of senior management experience including international business development and management. Five of the nine board members are FULL TIME residents of Groom Creek, all of whom take their responsibility very seriously.

Speaking of inexperience and incompetence, during the 24 years that GCWUA has been in existence no prior board ever attempted to request from the IRS nonprofit status even though the bylaws indicated that GCWUA is a nonprofit corporation. The current board not only requested and received from the IRS approval for nonprofit status, it additionally requested that it receive it retroactively and thus was able to apply and receive tax refunds for which the amount was limited to \$6,000 due to statute of limitations.

The prior board was requested by residents on Silver King Circle to repair a minor leak in 2004 of which the board refused purportedly because the water loss was minimal. The leak ultimately had to be repaired when the leak became a major break. This same board refused to consider a request by residents of Silver King Circle to replace deteriorated pipe under the road prior to the paving of Silver King in 2004. Please refer to the letter by Mr. Joe Tirota. You might note Ms. Berry's letter admits that Silver King Circle "has been the ongoing problem" yet prior boards did nothing. To date that failure has cost the Association in excess of \$30,000 to repair pipe located under the blacktop in addition to the residents having to be without water service for extended periods do to the breaks.

The prior board, removed in 2006, was in the planning process of erecting a small building with a meeting room, a bathroom and sleeping quarters immediately next to the #1 well & water tanks, including a septic tank system within 100 feet of the well site. The purpose of the meeting room was to hold its board meetings, although the Groom Creek Fire Department was and still is willing to allow GCWUA to use their facilities for the Association's board meetings. The purpose of the sleeping quarters was purportedly for the water operator who lives in the town of Maricopa which is approximately 150 miles from Groom Creek.

(2) COMMENT: "...previous board employed a monthly salaried person for all this at \$950 per month for a qualified water operator." REPLY: The prior operator had a Grade-1 certification. The current board has an employee who has the required Grade 2 Water Distribution Operator certification, #OP022989 and ADEQ certification #17917. The prior operator who was paid a \$950 monthly salary **ALSO CHARGED** for repair services when other than minimal work was required. Incidentally, the current board could find no authorization in prior minutes for the \$950 monthly retainer being paid nor could it find authorization for the \$1,000 per month being paid to the bookkeeper.

(3) COMMENT: The current board is not careful when spending GCWUA money and that it uses their "friend" to do the work needed. REPLY: Mr. Vince Bruno, a licensed plumber who lives in Groom Creek, is and has been in the past attentive and reliable in emergencies. The amount of time to replace each water meter ranged from ¾ hour to 2½ hours. Some meters were installed in 1962 and were difficult to extract; some meters did not work at all and those homes were receiving "free" water. Mr. Bruno probably saved us money because of his knowledge of the disjointed and dissimilar parts making up the water system. Mr. Bruno is not a personal friend of anyone on the board. He is a neighbor in the area and is treated the same as any other neighbor. You should be aware of the fact that Ms. Berry's house is immediately behind Mr. Bruno's house and there is apparently animosity by Ms. Berry.

(4) COMMENT: "...and help the 40% of retired folks living here". REPLY: This generalized comment inferring that the entire 40% of home owners who live in Groom Creek are on limited income is not supported by any factual data. The fact is that 40% of the home owners are full time residents, not "retired folks". The comment is merely an unsupported personal opinion made to play upon the sympathies of the commissioners. Refer to Mr. Miller's letter dated October 16, 2008 regarding the estimate of potential limited income home owners.

5) COMMENT: "The general feeling is that this could be done in phases". REPLY: I don't know whose "general feeling" she is referring to unless it is her own. You should note that Ms. Berry's letter is only signed by her. A phased-in approach is not recommended by the engineers due to the destructive possibility of "blowing out" the remaining portion of the deteriorated pipe system. A phased-in approach will be uneconomical as GCWUA will lose the advantage of lower bids in today's economic climate; each separate bid for each separate phase will result in higher individual bids because of the additional work and transportation of equipment involved and the phased-in approach may well jeopardize the ability to borrow the required funds and will most certainly result in a higher interest rate in the future. The phase-in approach is impractical and uneconomical.

Because much has been previously said regarding the replacement of the Mexican transite pipe, the financing and the water rate increase, I will not elaborate except to again state that the County has a mandate to blacktop the roads in various small communities such as Groom Creek over a five year period, contemplated to be completed by 2012, of which one year has now passed. The County, at the request of GCWUA, has agreed to wait until the pipe project is completed before blacktopping the roads and has sent a letter stating that the County is waiting for GCWUA to complete its project.

The increased cost to do the pipeline project after the roads are blacktopped is prohibitive and financially impossible. Replacing the pipes over an extended period of time ("in stages" as another individual requested) with periodic rate increases is impractical and not cost effective. Due to the current status of the economy it is anticipated that the cost will be substantially less now than in the future. I personally prefer 30 year financing, however it is not available. Neither the banks we contacted nor WIFA will quote the Association a 30 year loan. If we were able to obtain periodic loans, we would have to be requesting periodic rate increases from the ACC. This would be an additional hardship to volunteers to require them to spend the excessive hours involved to prepare the documents necessary to obtain constant approval from the ACC. I have been told by an attorney with a major utility company that one should expect that it will take at least 15 months and a cost up to \$15,000 to apply for each rate increase. While this volunteer board prepared its own application it cannot be expected to constantly apply for periodic rate increases due to the lack of timeliness of the need to complete this project and the difficulty of preparing the application.

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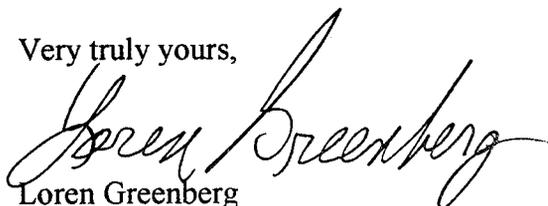
Mr. Oller states in an e-mail sent to the Commission on November 5th that he lives in a newer section of Groom Creek and the "pipes are just fine" and that GCWUA has "plenty of money in C.D. accounts". Fact one, is that the newer section was developed in the 1970s and for the last 6 months there has been a minor leak that has not been repaired because the section cannot be isolated because of the lack of isolation valves. To repair this minor leak would require shutting down the entire water delivery system and deprive all homes of water during the repair. Fact two, the amount of cash as of December 31, 2004 was \$135,497 and as of September 30, 2008 the cash balance is \$112,856. Currently there has been \$45,765 pre-construction costs or pipe repairs that will not need replacing. The amount of cash held by GCWUA is by, no stretch, adequate.

Another individual wrote that the Association has resorted to "scare tactics". It has never been the intention of the board to resort to "scare tactics". It only has attempted to state the facts to keep all the members informed. If making the members aware of the seriousness of the situation is a "scare tactic", then it, again, is only one person's opinion.

I believe in honest decent and constructive criticism, but frankly Ms. Berry's incorrect statements and twisting of the facts is not only getting tiresome but it greatly misleads the Commission in your decision making process. I believe if the ACC staff and Judge Kinsey had believed the interveners' arguments were valid they would have rendered a different conclusion. Ms. Berry needs to support her statements of "fact" and opinion with solid evidence.

I wish to emphasize, a phased-in approach is not recommended by the engineers. A phased-in approach will be uneconomical as GCWUA will loose the advantage of lower bids in today's economic climate, each separate bid for each separate phase will result in higher individual bids because of the additional work and transportation of equipment involved and the phased-in approach may well jeopardize the ability to borrow the required funds and will most certainly result in a higher interest rate in the future. The phase-in approach is impractical and uneconomical. Time is of the essence to approve this rate application including the \$50 base water rate.

Very truly yours,



Loren Greenberg

C: Groom Creek Water Users' Association Board of Directors
Ernest Alldredge, Dean Clemit Jerry Hodgson, Kal Miller,
Ernie Serrano Jr., LeRoy Sites, Todd Starr, Cynthia Tirota