

OPEN MEETING AGENDA ITEM



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Barbara Miller
118 West Northview Ave.
Phoenix, Arizona 85021
November 7, 2008

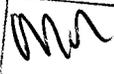
ORIGINAL

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

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

Arizona Corporation Commission
DOCKETED

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AZ CORP COMMISSION
DOCKET CONTROL

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RECEIVED

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

Re: Groom Creek Water Users Association

Dear Commissioners:

As editor of the Groom Creek Water Users Association Newsletter, I am submitting our last newsletter, Issue 10, November 2008 for you to read. I felt you should have a copy so you can see for yourself how the Association members receive their information regarding what is happening in the community and particularly regarding our water distribution system and the problems we face.

I started the newsletter with the Major Break on Silver King Circle and what it cost the Association to fix. Page 3 has pictures of the break which I believe you were given some of the same at the last hearing. On page 2, there is the letter from Stephen Norris, (the contractor who works on our old system) to the Association of which I believe you have been sent a copy. On page 5 there is a small article on the Water Line Break on Stagecoach Rd., which had not been previously reported. I also would like to call attention to an article by Mr. Loren Greenberg who is our Treasurer. It was a very informative article on what the equity of our small Association is before and after the Silver King Circle repair bill was paid.

Our newsletter goes out four times a year to the Association members. Association business always receives primary space, and then any nature stories, social events, etc. that are going on in the community follow. Issue No. 10 was taken up mostly with Association business because of the water breaks, new elections of officers, reports on board meetings, and letters sent to the Association that were important for all to know about.

Sincerely,


Barbara Miller



GROOM CREEK WATER USERS ASSOCIATION NEWSLETTER

Issue 10 November 2008

Editor: Barbara Miller (kalbar1@aol.com)

Major Water Break on Silver King Circle Cost \$20,000.00 !!

On Saturday, October 4th at 6:PM, another water main break occurred under the asphalt about 400 feet East of the previous break and was located in front of Lot 23 where a new cabin is under construction. The pipe split started about 4 feet West of where the new bypass line was installed last year. The entire water system had to be shut down until the affected section of pipe could be isolated from the rest of the system.

The repair was started the following Monday morning and was completed two days later. This repair project was the largest ever encountered and required the replacement of 60 feet of transite pipe. The pipe line had deteriorated so bad that the trenching had to continue until a good section could be found to connect to. (For those few people who insist that the pipe is buried close to the surface and blame heavy construction vehicles, the pipe was 5 ½ feet down into the ground! The contractor, who did the repair, said that the break was not due to construction, but to the deterioration of the pipe itself.) On page 3 of this newsletter are photos of the repair project as it progressed. Photo No 1 is a close up view of the longitudinal stress fracture crack in the pipe which extended for 8 feet and caused the huge water eruption that boiled up through and around the road. Photo No. 2 is a higher magnification view of one of the pipe sections further to the West that had not split open yet but was going to rupture soon. If you look close at the photo you will see white calcium deposits along the crack in spots where water had been leaking through. In between these areas the pipe is cracking but has not yet cracked through to the inside wall.

The transite pipe is deteriorating. It starts to crack and eventually leaks in small areas. With time the leak areas connect and the internal water pressure causes the pipe to split open in a major eruption. There is no reason to believe that other pipe sections still in use are not in the same condition waiting for another disaster to happen. It is now a race against time to try to replace the rest of the system before more major failures occur. The frequency of these failures is increasing as is the rising cost of repairs. In addition, two new isolation valves had to be installed in the replaced line section.

There was another unexpected discovery during the repair. A buried isolation valve, its location unknown to everyone, was found in the Silver King Circle pipeline just West of the bypass tee and East of the pipe fracture. It was probably in this position for years but was not designated on any mechanical drawings of the system. A second valve to the East of the bypass line was found to be broken in the closed position resulting in isolation of all of the Silver King Circle residents East of the valve. The bypass line supplied water to residents East of this point and all residents West of this point received water by a 4 inch line from Wagon Wheel Rd. Photo No 3 shows the broken isolation valve with the gate in the closed position. Photo No 4 shows the excavation in progress on Monday, Continue on page 2

Silver King Circle cont.

October 6th. The trench wound up being at least 3 times this length by the time a decent section of pipe could be located. Photo No 5 shows the new 6 inch diameter C900 repair piping in place prior to pressure testing. This is the material that will be used in construction of the new system.

The contractor, who has done numerous repairs on the system over the years, stated that the Groom Creek system is one of the most disjointed systems he has ever worked on. It was supposedly built by the original developer from leftover miscellaneous and surplus parts. Mexican transite pipe was used because of its low cost at that time. Although the bill has not been turned in as of the writing of this article, the cost for this repair is estimated to be close to \$ 20,000.00. Of this total cost, 30% or \$ 6,000.00 is a result of the asphalt paving over the road. In the past year the cost of asphalt material alone has increased from \$ 42.00 to \$98.00 per ton. Extend this relative cost to the entire piping system in the ground if it had to be replaced after the roads were paved, the cost would escalate to \$ 6,300,000.00. Can the homeowners on this system afford to wait to replace the system after the roads are paved and pay a base water fee of \$ 200.00 per month plus usage fees?

ACC Delays Rate Increase

At the Oct. 15, 2008 hearing concerning our rate increase request, the Corporation Commission delayed final approval. They understand that the project needs to move forward but they also appreciate concerns about the significant raise in the base rate from \$14 to \$50. After the meeting some of the Commissioners stated the Association will get the funding authorization it needs but they are going to consider a more phased in rate increase if fiscally possible. The Chairman of the Commission stated that if Groom Creek does not do this project now the costs are only going to escalate and the residents will wind up paying a higher cost in the end. It is expected the rate increase will be on the November agenda for further discussion and a final decision.

Because this rate case is still pending, it is very important for members of our water company to support our volunteer Board of Directors in its efforts to work for the best interests of our water company and its members. Please let the ACC know that you support the board's efforts to keep our water system viable and healthy now and for years to come. Contact the ACC immediately by EMAIL (Mayes-web@azcc.gov) by Phone (602-542-4251 or 800-222-7000) or by writing to the Arizona Corporation Commission, 1200 W. Washington St., Phoenix, AZ 85007. Please review the info we have worked so hard to provide you with over this past year, including

the article on page 1 about the most recent costly water main break on Silver King Circle. Please let your support be known to the ACC.

Remember that a small minority of our members continue to argue with the clear case made for replacement and upkeep of our system. We all have to share the burden in order to reap the benefit of a healthy and reliable water company. Let the ACC know that you support the Board's efforts to serve the best interests of our water company and that you understand and support the requested rate increase and financing requests needed for the future of Groom Creek.

Letter from Stephen Norris, Inc. Re. Pipe Failures

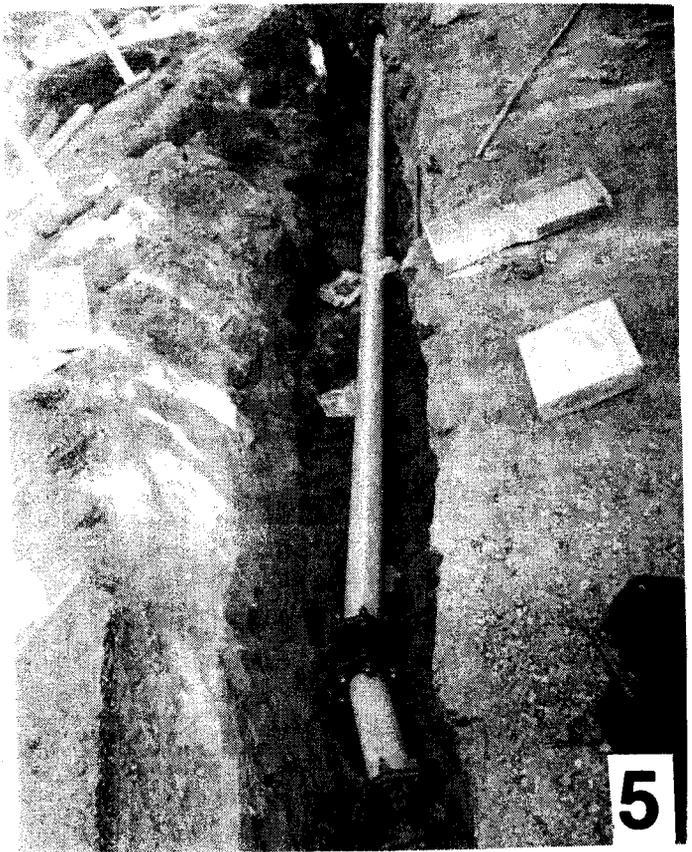
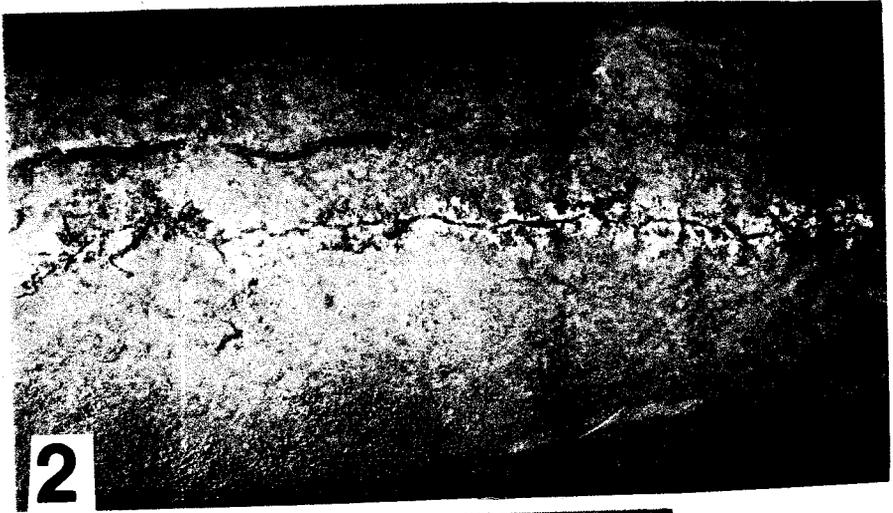
(Stephen Norris, Inc. has been the contractor who has worked on our system for many years. We are not sure what board before the present board hired him, but he has turned out to be very knowledgeable regarding transite asbestos pipe and has had many years of experience working with this type of pipe. Following is a letter written to us by Stephen Norris.)

October 13, 2008

Att: Groom Creek Water Users Association

Re: Recent Pipe Failures on Current System

As many of you know, I started working on this water system with Dick Fisher many years ago. Continue on page 4



Stephen Norris letter cont.

During that time, my crew and I have worked on most if not all of the street repairs including Zone Valves, Service Repairs, and Major Breaks. Last week we fixed a major leak on Silver King Circle that gave me great concern, and that is the reason for this memo.

This water system is using a Mexican Transite (Asbestos) pipe that is showing signs of large failures. In the break last week we found pipes split horizontally almost the full length of the pipe, with tree roots growing into the pipe collars and into the seams.

It would appear that age has caught up to this system; we are seeing major breaks at an accelerated rate and probably will continue unless something is done about it.

Sincerely,
Steve M. Norris

Water Line Break on Stagecoach Rd.

On September 5, 2008 a water line break was discovered near the East end of Stagecoach Rd. in the cul-de-sac at the end of the road where there is very little traffic. The hardest part of the repair was locating the valve in the street to isolate the portion of the grid where the leak occurred. On top of that the isolation valve was found to turn in the opposite direction from how it was expected to turn. This break occurred in an unpaved road section and was repaired at a cost of \$ 1,060.00. Had the road been paved the cost would have doubled according to the contractor who performed the work. This break occurred at the point where a service line attached to the main line.

Board of Directors Meetings

Sat. November 15, 2008 1:00PM Fire Station
Sat. January 17, 2009 1:00PM Fire Station
Sat. March 21, 2009 1:00PM Fire Station
Sat. May 16, 2009 1:00PM Fire Station

Transite Asbestos Pipe Facts

From

Forsyth County Environmental Affairs Dept.
Web site.

(<http://www.co.forsyth.nc.us/Documents/asbestos.pdt>)

Since our old water mains are made of transite asbestos pipes, and there are members of the Association that don't understand this type of pipe being used, the following research was found that may help explain what our pipes consist of. Following is a section from an article on asbestos from the Department of Environmental Affairs, Forsyth County, NC.

"Studies determining health effects from asbestos exposure have been based on airborne asbestos fibers. An individual can be exposed to asbestos two ways; inhalation or ingestion. Asbestos is either inhaled because of airborne asbestos fibers or asbestos is ingested or swallowed. An example of this is asbestos transite pipes used underground to transport water to homes and buildings.

Transite is a cementous material that contains asbestos which deteriorates over time. As the transite deteriorates, asbestos fibers can be released from the interior of the pipe into the drinking water flowing through the pipe."

In a recent phone interview, Mr. Marlin Scott Jr. who is a Civil Engineer and works as a Utilities Engineer with the water/waste water utilities division in the Arizona Corporation Commission had this to say about transite pipe. *"Transite asbestos pipe is most dangerous when it is cut or breaks. It is still being used in parts of Phoenix, but is being replaced when it meets its service life or a major replacement program is going on.*

When it is being replaced, the new pipe is placed next to the old transite pipe. They do not try and remove the old pipe. The pipe should be buried three feet from the ground to the top of the pipe. (It should be noted that there are sections of water main piping in Groom Creek that are less than three feet in the ground.) Transite pipe is all right if it is not disturbed. It is when it is cut or breaks that the asbestos fibers get into the water and presents a potential health hazard. When working on a transite pipe, the lines must be

Continue on page 5

flushed out and chlorinated before use. The ADEQ requires water be checked for asbestos ever 9 years."

Groom Creek Fire Department New Fee Schedule

(Editors Note: The following letter was received from the Groom Creek Fire District and is being reprinted here so all members who use the fire department's facilities will know the new fees being charged by the fire dept. I think it is safe to say all of us like having our fire department in our community and definitely support them. They are the center of our community, where we gather to discuss events that are important to all of us. After this letter was received, all of us received our property tax assessments. The tax increase to support the fire district was outrageous. We all need our fire department and are willing to support them, but in light of the tax increase, why do they have to charge this community for meeting at the fire house and the park? Does this mean no more using the park? No more free picnics? No more free Saturday night movies for the families during the summer? If you have any questions, comments, complaints, please direct them directly to the Fire Chief, Todd Bentley, or members of the fire board.

To Whom it may concern:

At its' September Meeting, the Groom Creek Fire District Governing Board approved a fee schedule for the use of the facility by groups not conducting fire district business (i.e. elections, other groups). The fire district has previously charged fees to outside groups and will again be implementing the following fees effective January 1, 2009:

Small Engine Bay area -\$ 65.00

Large Engine Bay Area -\$ 100.00

Park Ramada (for groups larger than 20 people) - \$50.00 including a \$ 25.00 refundable cleaning deposit.

Please fee free to contact the Fire Station if you have any questions.

Sincerely,
Todd Bentley-Fire Chief
Groom Creek Fire District

Renters Billing Motion Rescinded

A motion was passed at the July 19, 2008 board meeting regarding homeowners who rent out their house would be responsible for the water bill on the rental house. This motion was rescinded and now reads: *Persons who rent a home or cabin from an association member will be required to abide by the same rules as outlined in Section 2.4 Purchase of Water, of the GCWUA By-laws. Renters will be required to complete an application and submit the required fees. In the event a renter defaults on the water bill payment, the homeowner will be responsible for any delinquent payments. Homeowners, at their discretion, may elect to have all water bills sent to them for payment in lieu of having the renter remain responsible for the bill.*

Financial Crisis Looming

By Loren Greenberg, Treasurer

This is an unpleasant term that we have suddenly become very familiar with and yet we hope that it won't affect us. Well, the Groom Creek Water Users Association is at the threshold of entering that unpleasant area. After 24 years this Association has a mere equity of \$ 47,084.00. Equity is what the company is worth if it were to shut down operations tomorrow. Once the bill of approximately \$ 19,500.00 for the major repair on Silver King Circle is paid the equity will be reduced to \$ 27,589.00. All we need is a couple of more breaks and this Association will be technically "financially broke" right along with its Mexican transite pipe. During the last eight years this Association has had negative cash flow of \$ 44,421.00. A rate
Continue on page 6

increase is inevitable; the question is How Much? If the Association were to increase its base water rate to only \$ 36.00, it might be able to save \$ 40,000.00 per year. In five years, assuming the pipes last that long, the Association should have \$ 400,000.00 as a down payment to install new piping which at that time, due to black topped roads, will cost between \$ 4,000,000.00 to \$ 6,000,000.00 which would require another base rate increase to approximately \$ 100.00 to \$ 200.00 per month. Or we can "bite the bullet" today with a \$ 50.00 per month base rate and complete the project now. **YOUR CHOICE!**

New Board Members Elected at Annual Meeting

At the annual meeting held on August 30, 2008 at the firehouse new members were elected to serve on the Board. The slate of officers and Board members for 2008-2009 are as follows:

Jerry Hodgson	President
Dean Clemit	Vice President
Kal Miller	Secretary
Loren Greenberg	Treasurer
Todd Starr	
LeRoy Sites	
Ernie Serrano Jr.	
Ernest Alldredge	
Cindy Tirotta	

Over 60 people attended the annual meeting and participated in the discussion on the water project. The Board greatly appreciates the turnout and interest in the water association activities.

Your Board of Directors sends their sincere wishes for a very happy and fun filled holiday season to you and your families.

Special Board Meeting Actions

At a meeting held on Sept. 13, 2008 the following items were reviewed or acted upon by the Board:

- 1) It was determined that the annual meeting had sufficient member attendance and proxy representation to meet the By-laws requirement to transact business.
- 2) A resolution was passed to continue the association financial accounts and to update the authorized signatures list after the recent election of new board members.
- 3) A letter was read from the Groom creek Fire Dept. stating they were going to start charging a fee to use their facility after January 1, 2009. This would create additional costs for our association as we currently hold six meetings a year there. (See Groom Creek Fire Department New Fee Schedule article on page of this newsletter)
- 4) A resolution was passed to make some amendments to the By-laws after a legal review which had not previously been done other than for IRS requirements.
- 5) A new conflict of interest form for the board members was discussed. Additional changes and corrections need to be completed before any action can be taken.
- 6) A discussion of offering the members optional E-mail delivery of the newsletter was discussed. No action was taken.
- 7) A voluntary member survey regarding the pipeline project was discussed. Action was delayed until the Board receives ACC Staff final recommendations.

Apology to Contributing Members

By Barbara Miller, Editor

I would like to apologize to those members, who turned in articles regarding Packing Peanuts for the meter box, the 4th of July picnic article and the Thank You to the Board article. So much has happen to our community in the past 2 months that this newsletter could not accommodate all the articles, including my article on Racoons, which I hope to include in the next newsletter. If you wish to have those articles in the February newsletter please let me know.