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Comments on Emergency Rate increase
Far West Water & Sewer
Docket No. WS-03478A-08-0608

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Arizona Corporation Commission

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ACC Commissioners
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MAY - 6 2009

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I hope as you consider all of the testimony and evidence that is being presented in the past and up coming hearings, you will give serious thought as to wether giving Far West an increase will ever solve the problems and end up with sewage treatment plants and collection systems that serve the public and the environment as it should. I have 30 years experience working in Wastewater Plants and collection systems. In the last 6 months I have done everything I can to find a reason to be in favor of supporting this increase, but there just isn't much outside of the company just saying they are broke and can't pay for the improvements that have been installed to date, and can't pay to complete the projects and get them on line.

It is painfully clear to me that the top management (owners) of this company are not qualified to make the decisions needed for proper operation of the plants and system, and for capitol improvements. They are completely depending on recommendations from others. They claim to have three number 3 certified employees, however a number 3 is not considered to be a supervisor or a manager level certification.

The money spent on projects in the past has in a number of cases just been squandered because of bad planning and engineering. The prime example of this is Palm Shadows WWTP. This plant was designed around and by Santec Corporation. Santec provided a package system which I'm sure has their engineering approval, however the disposal of the effluent was not engineered or proper tests done. The percolation / evaporation ponds should have had a percolation test done on the soil where the ponds were to be built. ADEQ should have required this but either didn't, or accepted inadequate tests. Percolation tests are a requirement for a septic tank installation, why was it ignored here? So by an agreement between ADEQ, Far West Water and Sewer, and Universal Asset Management, a CONSENT ORDER was issued which mandated closure of Palm Shadows, and we the customer facing increased costs. Instead of doing the right thing and giving up the franchise given by the City of Yuma. Palm Shadows could be taken off line and the sewage sent to Yuma's new wastewater plant. It would have been only a short distance to connect to a line at 40th and 9E. As it is they choose to pump it five miles to Section 14 plant which is not yet completed.

Another example of false economy, trying to save a buck for the company is the type of lift stations installed in the system. Since Far West won't give me a map showing their complete system, I can't be sure what design all the lift stations are, but based on the one installed in Vista Del Sol, I would guess they are all similar. This station uses submersible pumps mounted in a wet

well where the sewage collects. These systems are the cheapest initial investment. However when it comes to long term maintenance they are much more costly. If a pump plugs it must be pulled out of the wet well to unplug it, or do any other maintenance. Going in these wet wells is entering a confined space, and requires special equipment and extra personnel. A pump station that has a wet well and a dry side with the pumps mounted in the dry side is a much better investment. While the dry side is still considered a confined space because it has only one entrance, it does not have the high potential of sewer gases. The pumps are easier and cheaper to maintain than submersible pumps and motors which require a special seal and explosion proof motors. I don't know all of the details of the two deaths that occurred at Far West, but I do know that it occurred in a confined space. These submersible pump stations are confined space that have full exposure to sewage water and sewer gases. The Santec package plants are basically a mini WWTP inside of a underground tank, once again it is a confined space with dangerous exposure required to enter.

Right now Far West is building a new development called El Rancho Encantado. The sewer system in this development will utilize a low pressure grinder pump system. The advantage of this system to the developer is low initial cost. The pressure collection system in the street can follow the contour of the ground, eliminating the need for deep pipes and manholes. The pipe is standard 1 1/2" PVC. Every two lots will get a small pump station installed. Once the tank for the pump station is installed, nothing else needs to be done till the lots are sold, at which time the pumps and controls are installed, and the customer pays for it in the lot price. Mr. Capestro claims these grinder pumps will solve the problems of senior citizens flushing "DEPENDS" down the sewer. I see several potential problems here. Each pump station serves two lots, who pays for electricity? What happens when one owner goes north for the summer, and turns off electricity to pump station? Many residents are going to be gone six months of the year, the pump is going to sit there idle, causing grease and other solids set up and gum-up level controls. The data I have read on these pumps indicate they are a high quality pump, and not inexpensive. The manufacture claims the average time before service is needed is ten years. They are known as a progressive cavity positive displacement pump. It uses a rotor shaped like a corkscrew which rotates inside a rubber stator that has the same shape. The clearance between the rubber stator and the metal rotor is very close, and is damaged very fast if run dry. If a level control malfunctions and doesn't turn the pump off correctly it will burn the pump up.

Where is all the money!

Where is the planning for growth!

Over and over we have heard testimony from customers that fees were collected at the time of purchase of their property for Sewer Capacity. We have heard about large blocks of users on the system who were not being billed, and others who were billed 1 1/2 years late. We know that H&S development and Far West Water & Sewer have the same owners. How can anyone trust their books? We believe there is more slight of hand on the books than in any magic show. Far West must be forced to completely separate the business, not just on paper. H&S Development has business all up and down Foothills Blvd, in which we all have a choice as to whether we want to do business, however we have no choice about doing business with Far West. The sewer and water need to be a local improvement district, just as is being done with fire protection in the Foothills. Only when the people own the company will it truly serve the people.

On April 6th at the hearing in Tucson during the comments from users, one user made reference to thousands of new connections being made to the system. Mr. Capestro came back with a rebuttal that there were not thousands, and he cited 5 lots being sold in El Rancho Encantado, and 12 to 17 lots sold in The Ravines. This is taking out of context and twisting the statement of the user, who was citing Far West's own statements that there has been over 7000 connections since around 2000. Where was the planning for growth during this time? Why should existing users pay for updates required by new growth?

**Why does Far West treat
customers with contempt
and Arrogance**

At the start of this letter I said I have tried for 6 months now to find a reason to support Far West's request. I know there are real costs involved with treating wastewater, and many people just feel as long as it goes down the drain they are happy. I have worked at sewage treatment plants that belonged to cities who's management felt the same way and just used the sewer fee's as a piggy bank to support pet projects like libraries, and parks. I feel the amount they are asking, is way out of line, but a reasonable amount may be in order. The question though, is will this management ever be able to properly operate the company?

In attempting to find information about Far West, I made a request for information that should be public. I was first told to send an email request, I did. Eight days later I made the same request by email, and sent a copy of the request to Robert Casey at ADEQ. Both of requests were ignored. A week later I made a third request at the office, and was told leave my address and they would get back to me. I refused and went to the office of H&S development, where I was ignored till I kept ringing the bell. Again they took my address and said they contact me, which they did two days later by letter. I ask for a map of the completes system including plants, pump stations and collection system. They are required under ADEQ and ACC rules to have this map. They gave me a page out of an old map book which only showed the sections covered. I asked to view engineering data on the new section 14 WWTP. I was told to ask ADEQ. I asked for a list of sewage spill in last five years. Again go to ADEQ. Another user I know made a request for information and was ignored till contacting ACC. ACC called Far West and a meeting was shortly setup. All of this information could have been supplied with no effort, except they have no intention of cooperating with the customer.

In written testimony, and at the hearing in Tucson on April 6th Mr. Capestro states that they just can't understand why so many people are upset with Far West. He states that after the public meeting in Yuma on March 5th, he held a meeting with his employees. They discussed the meeting and how they were to respond to calls or complaints. He says that several of the employees were so upset they were brought to tears. Capestro is making it sound as if we just don't see the real effort they are making. Well maybe so, but I talked to two employees who were running their VAC truck, on or about April 14. They were cleaning a line going into Palm Shadows plant. We discussed several things, of which one was did they know about the public meeting? They said yes. Did they go to a meeting in which that public meeting was discussed, and some employees came to tears. They answered that they didn't know about any meeting at

all. I also asked about any certifications they had. One said he had a level 2 in collection systems, the other had none. Also level 2 is the highest collection system certification Far West has representing them. Where I worked in Oregon if a level 3 was required for the plant, then the collection system was considered to be a level 3 also. We also discussed what kind of telemetry was available in there systems. They said telemetry has been added to the Palm Shadows WWTP, that is being taken off line, however no telemetry has been installed on the lift station that serves Vista Del Sol. This station will be there forever and has a history of sewage backups. Telemetry is the only way they can be reasonably certain of knowing of malfunctions before they become a hazard to the public or environment.

**Are we getting our money's
worth on current
projects?**

When all the violations came down from ADEQ, Far West contracted an engineering firm called Universal Asset Management. I have been told by personnel at ACC, ADEQ, and Yuma county that this is a reputable firm, however some items stick out to me, and one just plain stinks. A simple Google search turned up an article in UAM's company newsletter, dated "Winter 2006" it is titled "Far West - Sweet Smell of Success". The article claims within 48 hours of signing a contract with Far West, they were on the ground in Foothills, and the initial analysis allowed immediate resolution of the serious, widespread odor problem. What a pile of B.S., I can attest that odors never started subsiding at Palm Shadows till 2009, and still there are occasional problems. I also wonder why did Mr. Capestro (a lawyer) enter into a contract that gives the engineer a flat 10% of the total price of the project. This gives the engineer absolutely no incentive to negotiate firm prices from suppliers of equipment, or add equipment not needed. If these projects were put out for competitive bid, then there should be no cost overruns unless Far West asked for a change order.

My last point to be made, is can Far west be more cost effective with some different employees? I am not aware of how many employees, or what is their classification. However in reading and listening to testimony, it is apparent that thousands of dollars are being spent on contracted services. Mr. Capestro testified that anytime there is problem, a firm is called in to check the controls. A good maintenance person with electrical qualifications should be able to reduce unexpected breakdowns and control failures to near zero. This probably doesn't need to be an additional employee just one with the right qualifications. Also along the same line if a good preventive maintenance program is not in place, there will always be breakdowns and sewage spills.

Thank You very much for your consideration.

Robert Rist

INTERNAL ASSETS



Far West – Sweet Smell of Success

"We bring economic solutions coupled with rapid response time to the kinds of jobs most competitors don't want."

Growth in excess of capacity. Challenges in meeting permit standards. Odor complaints by the dozens. A situation made to order for Universal Asset Management's engineering expertise.

Desperately in need of help, Far West Utility Company sought the kind of assistance that UAM has the specialized ability to provide. We answered the call by putting a team in Arizona within 48 hours of signing the contract. Initial analysis allowed immediate resolution of the serious, widespread odor problem.

The odor problem only hinted at the depth of Far West's issues. Residential construction in excess of 1,000 houses a year meant the drinking water and seven wastewater facilities were reaching – or had already met – capacity and were having trouble meeting Arizona Department of Environmental Quality (ADEQ) standards.

After completing the engineering report for all facilities in 10 days, we immediately began addressing a myriad of permitting, engineering, planning, design, financial and overall regulatory issues.

We know where our vision can take us. We have an innovative, best practices process in place. Now, our biggest hurdle is landing that key customer – the client that will give us market credibility and open the gateway to our target markets.

That brings us to Pioneer Marketing. You may think that asset management and marketing have little in common. However, when Pioneer Marketing answered our RFI we found that a solid marketing program is every bit as process driven as Reliability Centered Maintenance.

We pulled together a \$27 million capital improvement plan that will provide badly needed new capacity and will change the treatment technology at all facilities to state of the art membrane bioreactor technology (MBR). We assisted Far West in negotiating a comprehensive consent order addressing all wastewater facilities with ADEQ. To bridge the gap while awaiting long-term debt approval, we completed an \$11 million Bond Anticipation Note (BAN), which we are currently refinancing to \$17.7 million.

Ultimately we will consolidate the seven current wastewater facilities into four and currently we are expanding the drinking water facility. As growth continues, further expansion will be required and we are accommodating that growth through the design of easily expandable facilities. Begun in May 2006, we hope to have all new Far West construction completed by late summer 2007.

Troubled utilities that are under the gun with regulation, growth or budget issues are a niche market for UAM. "We look for this kind of job," Gary emphasized. "We bring economic solutions coupled with rapid response time to the kinds of jobs most competitors don't want."

Developing who we are, where we came from and why we are light years ahead of our competition.

Pioneer Marketing develops and implements a company's marketing program based on brand legacy – a company's personal brand story. By taking us through their process Pioneer Marketing will help us tell our story so that it speaks from – and to – the heart of who we are, where we came from and why we are light years ahead of our competition. (cont.)

Sharpening Our Focus



Sharpening Our Focus CONTINUED

Just as Reliability Centered Maintenance begins with an audit, so does the development of a brand legacy. Instead of identifying pieces of equipment and planning preventative maintenance, Pioneer Marketing talked to us about our culture. They identified our strengths and weaknesses, our core competencies and our biggest challenges. They asked us about our competitors, target markets and the characteristics of our ideal customer.

Based on this information, Pioneer Marketing is developing our brand story; a story told in sales and marketing collateral that will put us front and center in our desired markets. Our customers and prospects will understand the core of Reliability Centered Maintenance. They will know that Universal Asset Management combines equipment maintenance insurance with a unique preventative maintenance analysis process turning preventative maintenance into a profit center.

Trends and Opportunities

When asked: "What do you see as trends in the industry?" UAM employees answered from different perspectives. Many see indications that different market segments are beginning to understand the value and benefits of asset management. From private companies to municipalities, from HVAC and building maintenance to Missouri's bridges, the focus is shifting to preventative maintenance.

Gary points to the American Society of Civil Engineers (ASCE) study that was quoted in USA Today. Written several years ago the article states, "It will take more than a trillion dollars to upgrade roads, bridges, mass transit, airports, schools, dams, water purity, and waste disposal facilities in the next century. It is fair to say the nation's infrastructure is in pretty bad shape. Without substantial help, the situation is not going to get any better."

Years have passed and there has been no improvement. In 2005 the ASCE assessed 15 infrastructure categories and gave them a collective grade of D on their report card. "We see the implications today in Missouri's forthcoming RFQ's for equipment and bridge maintenance," Gary said. "As people spend dollars on maintenance they are asking, how can we avoid doing this again?"

Jim Norman looked at preventative maintenance from a CEO's perspective. He noted, "Maintaining

equipment is their largest budget item that is out of control."

Other trends that were mentioned include the outsourcing of day-to-day maintenance due to layoffs and cost cutting. Centralized maintenance in large corporations is resulting in fewer people to perform routine maintenance.

Different market segments are beginning to understand the value and benefits of asset management.

"UAM is creating a trend," Dan said. "We are modifying the approach to underwriting. Right now the equipment maintenance insurance market is pretty stagnant. We just don't see anybody aggressively trying to apply EMI insurance to new industries."

Sandy points out another insurance industry trend that provides UAM a golden opportunity. "A lot of insurance carriers are going more and more to Internet-based client interaction. This won't happen at UAM. We will be alive. We will have a face and a voice. Our clients will depend on us - not a computer."

A rapidly changing workplace and billions of dollars in deferred maintenance create a variety of trends that mean business opportunities for Universal Asset Maintenance.



Gary Lee

HAPPY HOLIDAYS!

The holidays are here and it's time to think back on a year of rewarding achievements and to look ahead to 2007 and a year filled with opportunities.

As you are all aware I recently separated from Archer Engineering. This allows me to now focus and invest fully in building Universal Asset Management. Our relocation to Harrisonville has been a good move and we will be in our expanded office space before Christmas.

It's been a year of significant accomplishments. We have almost tripled our all-star staff, upgraded our computer systems – both hardware and software – and achieved revenue of \$2 million that was primarily driven by our engineering services. Far West Water and Sewer has been the centerpiece of our 2006 business and we can thank Ryan Saffels and Dan Slickman for the success of this initiative. They have led the design efforts and provided assistance to the finance team. These two individuals along with help from Lenette, Jared, James and several late night and weekend efforts by many others have performed remarkably. I want to congratulate all of you for your hard work and efforts.

This is a great opportunity to acknowledge our new employees. James Trahan works closely with Ryan and as a design drafter provides our auto CAD work. Sandy Harazak brings us over 20 years of underwriting experience and Jim Norman, previously with Zurich, adds an additional 30-plus years of insurance experience. Also joining us are Javier Valencia who has over 30 years in data processing and pavement management, Michael West with over 30 years of sales/marketing and maintenance experience within the telecommunications industry with Sprint, and Bob Bridgham with more than 30 years of sales and marketing experience within the bank, insurance, financial services, and manufacturing industries.

I'm proud of the number of you who have obtained licenses or continued your professional development. Sandy, Dan, Ryan and Dick Hime obtained or renewed their insurance licenses. Ryan and Jared Finley received advanced training in Reliability Centered Maintenance (RCM) through Universal Asset Management's associate Mac Anthony Smith and trained in the use of GPSX, an advanced wastewater treatment modeling program. The highlight of the year may well have been the in-house RCM program provided by Mac Smith.

UAM is looking forward to a great 2007. We will enter the next phase of the Hawaii Reserve project and we will complete the Far West project. Through our work with Pioneer Marketing, we will increase insurance-based projects.

The UAM Pioneer team with the direction of Michael West are currently developing the key messages that will be used in our strategic marketing materials. Trends indicate that the time is right for our RCM based process and I'm eager to work with all of you in building a bright future for Universal Asset Management.

My sincere thanks for all of your contributions,



Gary Lee