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November 18, 2009

BY HAND DELIVERY

Chairman Kristin Mayes  
Commissioner Gary Pierce  
Commissioner Paul Newman  
Commissioner Sandra Kennedy  
Commissioner Bob Stump  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Arizona Corporation Commission  
DOCKETED  
NOV 18 2009

DOCKETED BY

Re: Far West Water & Sewer, Inc.; Docket No. WS-03478A-08-0608  
Open Meeting Agenda Matter 9

Dear Commissioners:

We are the attorneys for Far West Water & Sewer, Inc. In connection with your consideration of the above-referenced matter, we are providing you with a copy of a recent letter from counsel for the Arizona Department of Environmental Quality, which contains the agency's settlement proposal. As the letter shows, Far West and its management have made substantial progress in resolving Far West's compliance issues and expect to shortly conclude a settlement.

We will be available to answer any questions that you may have regarding this matter at the November 19 Open Meeting.

Very truly yours,

Norman D. James

NJAM/mlh  
Enclosure

- cc: Docket Control (w/enc.)  
Jane Rodda, Administrative Law Judge (w/enc.)  
Kevin Torrey, Esq. (w/enc.)  
Michelle L. Wood, Esq. (w/enc.)  
Seth and Barbara Davis (w/enc.)

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AZ CORP COMMISSION  
DOCKET CONTROL



Terry Goddard  
Attorney General

Office of the Attorney General  
State of Arizona

Curtis A. Cox  
Assistant Attorney General  
(602) 542-7781

November 5, 2009

*EMAIL and US MAIL*

David P. Kimball, III  
Gallagher & Kennedy, P.A.  
2575 East Camelback Road  
Phoenix, AZ 85016

Re: State of Arizona v. Far West Water and Sewer Company, Inc., and  
H & S Developers, Inc., CV2008-021676: SETTLEMENT

Dear Dave:

The Arizona Department of Environmental Quality ("ADEQ") remains appreciative of Far West Water and Sewer Co., Inc.'s ("Far West's") continued efforts to resolve its wastewater and drinking water violations through settlement. In recognition of the efforts taken by Far West to achieve and at times go beyond compliance, ADEQ is prepared to settle this matter as outlined below:

1. Payment of \$150,000 cash penalty payable in full within 18 months after startup of the Section 14 WWTP expansion using a payment schedule comprised of three payments of \$50,000 every six months.
2. Completion of a Supplemental Environmental Project (SEP), valued at \$150,000, related to wastewater reclamation, recycling or reuse; water conservation; or energy conservation to be proposed to ADEQ by Far West under the SEP policy found in Chapter 8 of ADEQ's Compliance and Enforcement Handbook.
3. An additional \$200,000 penalty to be held in abeyance provided Far West successfully meets major construction milestones within an approved construction schedule. ADEQ requests that Far West prepare and submit a schedule identifying all major tasks to be completed, with deadlines for completion, at each WWTP.

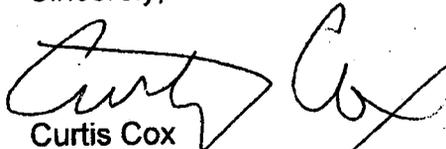
It is our understanding that Far West has verbally accepted ADEQ's settlement proposal for the penalty disbursement. Please provide written confirmation and a proposed schedule mentioned above, and we will draft a Consent Judgment for consideration.

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David P. Kimball, III  
Gallagher & Kennedy, P.A.  
November 5, 2009

Of course, settlement is contingent upon final approval of the agreement and draft Consent Judgment by the Attorney General.

We look forward to hearing from you. Feel free to call me at 602-542-7781 if you have questions. Again, thank you for your continued cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Curtis Cox", written in a cursive style.

Curtis Cox  
Assistant Attorney General  
Environmental Enforcement Section

CC/sj  
594766 v3