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BEFORE THE ARIZONA CORPORATION COMMISSION

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JAN 31 2011

COMMISSIONERS

GARY PIERCE, Chairman
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP
BRENDA BURNS

2011 JAN 31 A 9:34

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
FAR WEST WATER & SEWER COMPANY FOR
A DETERMINATION OF THE FAIR VALUE OF
ITS SEWER UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS RATES.

DOCKET NO. WS-03478A-08-0454

**NOTICE OF INFORMATIONAL
MEETING**

1 Far West Water & Sewer Company hereby provides notice of an informational meeting
2 concerning the status of its wastewater construction and financing. The meeting will be held on
3 February 4, 2011, from 10:00 a.m. to 12:00 noon at the Residential Utility Consumer Office,
4 1110 W. Washington, Suite 220, Phoenix, Arizona 85007. For those unable to attend in person
5 the call-in number is: 1-866-751-5725, then "Room Number" *4901201* (callers be sure to dial
6 star key before and after number).

7 A copy of the Meeting Agenda is attached.

8 **Respectfully submitted** on January 31, 2011, by:

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Original and 13 copies filed
on January 31, 2011, with:

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Copies of the foregoing mailed on
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Yuma, AZ 85365

By:



Craig A. Marks

AGENDA

Subject: Far West Water & Sewer Company
Status of Wastewater Plant Construction and Financing

Date and Time: February 4, 2011, 10:00 a.m. to 12:00 noon

Location: Residential Utility Consumer Office
1110 W. Washington, Suite 220
Phoenix, AZ 85007

Call-in Number: 1-866-751-5725, then "Room Number" *4901201* (callers be sure to dial star key before and after number)

Participants: Far West
ACC Staff
RUCO
ADEQ
Rate Case Intervenor: Robert Rist
Rate Case Intervenors: Barbara and Robert Gilkey
Other Interested Parties Are Invited to Participate

10:00 Welcome and Introduction by **RUCO**
Introductions/Opening Statements by Other Parties
Far West – General Update on Construction and Financing

- Update on obtaining equity,
- Status of the Company's compliance with the ADEQ consent order,
- Detailed timeline regarding the completion of existing projects,
- What has or has not been completed and the costs associated, and
- Outstanding payments or payment arrangements with GE Zenon and any other suppliers.

Far West – Answer Specific Questions Not Already Answered
(See Questions beginning on Page 2)
ACC – Answer Specific Questions Not Already Answered
RUCO – Answer Specific Questions Not Already Answered
ADEQ – Answer Specific Questions Not Already Answered

12:00 End

Specific Questions for Parties by Intervenors

FAR WEST

Have all the plants and pump stations had telemetry installed which gives a 24 hour alarm, including the pump station at Palm Shadows? Is a portable generator available?

How often are pump stations checked and what parameters are recorded and for what reason? There is no good reason for continued sewage spills at Palm Shadows (Vista del Sol) or any other place.

Have connection permits been issued for the new Fry's Store and other businesses in that mall? Who will be doing the inspections?

Is Far West currently operating a truck mounted Zenon unit? If so, what are the results?

Just what equipment is actually owned by Far West? Leased? Does Far West own the building it occupies? Are the payments made by Far West to H&S competitive with lease payments from outside sources and not "inter-connected" companies?

What is shown on a Far West depreciation schedule as assets?

How about the computer software which was purchased by Far West and is physically located at the H&S office? Does H&S pay Far West for its usage?

What other things have Far West paid for that H&S uses without compensation?

What are the historical dollar amounts collected from all the developers, including H&S, in the Far West service area for sewer and water infrastructure capacity fees in chronological order. How was this money spent?

What are the projected sewer and water capacity fees for future development? What is the rationale for capacity fee amounts?

How many people physically at Far West are trained to use the computer system?

Who does Far West expect would purchase preferred stock if it were available for sale? Would the current ownership establish huge dividend rates and then purchase the stock themselves?

How was the \$1,000,000 "infusion" described? Is it an equity infusion? Shown as bonds? Loans? Is there a guaranteed payback with interest? If so, what interest?

There's still some confusion about the company's CEO. On the Status Report dated November 4, 2010, it clearly states "Paula Cepestro is one of the two major Far West Shareholders. Ms. Capestro has owned and managed several successful businesses. She serves as Far West's President and Chief Executive Officer and also serves on Far West's Board of Directors."

In the Procedural Conference earlier this month when Mr. Capestro was asked what position Sandra Braden, who was not mentioned at all in the Status Report, had, he said that Sandra Braden was the company's CEO. Are there two CEO's of the one company? Why was Sandra Braden not mentioned at all?

Is the pond at the H&S yard at the corner of 15E and County Road 14 (56th Street) a permitted facility? Is it a sewer pond? Is it currently operational?

RUCO

In RUCO's Reply Brief, Docket #WS-03478A-08-0608, dated July 8, 2009, page 16, line 19 through page 17, line 8, describes \$257,000 disbursement to Coriolis which was acknowledged by Mr. Capestro to have been made in error. Mr. Capestro claimed the funds were returned, but RUCO said there was no subsequent entry reflecting the reimbursement of the funds. Has this been reimbursed and is there documentation?

ACC STAFF

Residents of the Foothills have not been served well by the very agencies, OSHA, ADEQ, and the ACC, who have control over the operations of Far West. Lack of adequate oversight and communications between these agencies is a big problem. Too much time has been spent levying fines and then reducing them, and on things other than solving the problems which continue at the plants.

We need to have complete assurance that there is a total separation of operations of Far West and H&S.

All projects need to have competitive bidding with public opening of bids, rather than automatically "hiring" H&S to do everything.

Far West needs a Board of Directors selected from the public served. When are you going to require that management be arm's length from current ownership?

A 20 year master plan which maximizes use of existing plants and locates new systems away from the general population needs to be developed. Small, scattered plants must not be continued.

What kind of progress chart can we expect? We need to know not only what is completed, but also what is not yet completed along with the reason it isn't complete and a time frame for completion.

Who does Far West expect would purchase preferred stock if it were available for sale? Would the current ownership establish huge dividend rates and then purchase the stock themselves?

What are the historical dollar amounts collected from all the developers, including H&S, in the Far West service area for sewer and water infrastructure capacity fees in chronological order. How was this money spent?

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ADEQ

Why doesn't ADEQ respond to inquiries and comments? A couple of examples:

The only response we've gotten when asking questions of ADEQ was "We can't talk about it - it's in litigation" and then Bob Rist, an experienced waste management person, spoke with Cynthia Campbell around February 8, 2010, offering some suggestions for solving some of the problems. Ms. Campbell said Mr. Rist was the first person to actually come up with some solutions and he should put everything down on paper and send the information to Benjamin Grumbles. He did this February 10, 2010, and never received any kind of acknowledgement.

Is the pond at the H&S yard at the corner of 15E and County Road 14 (56th Street) a permitted facility? Is it a sewer pond? Is it currently operational?

Have all the plants and pump stations had telemetry installed which gives a 24 hour alarm, including the pump station at Palm Shadows? Is there a generator at each station?

How often are pump stations checked and what parameters are recorded and for what reason? There is no good reason for continued sewage spills at Palm Shadows (Vista del Sol) or any other place.

Have connection permits been issued for the new Fry's Store and other businesses in that mall? Who is responsible for the inspections?

Is Far West currently operating a truck mounted Zenon unit? If so, what are the results?