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MEMORANDUM RECEIVED

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: April 15, 2013

RE: FAR WEST WATER & SEWER, INC. (DOCKET NO. WS-03478A-12-0307)

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Arizona Corporation Commission
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On March 28, 2013, Commissioner Susan Bitter-Smith docketed a letter stating,

“I would find it helpful if Staff and the other parties to this matter could provide additional details and analyses of facts relating to the conduct of the management of the Company, and the processes for the appointment of an interim manager, together with recommendations regarding the advisability or inadvisability of the appointment of an interim manager for Far West at this time.”

This memo is to supplement Staff’s previous filings with additional information for Commission consideration. For the reasons set forth herein, Staff continues to recommend that the appointment of an interim manager is not warranted at this time but recommends that the opportunity be reserved for future consideration.

In its Direct Testimony filed in this proceeding, Staff describes its concerns regarding Far West Water & Inc. (“Far West” or “Company”) and its conduct such as not being current on paying its obligations bills including its property taxes and monies due under main extension agreements, its practice of not collecting all monies due from related parties, and the need to reach a new Consent Agreement with Arizona Department of Environmental Quality (“ADEQ”), as discussed more fully below.

However, Far West has made significant improvements in its operations that have a direct impact on the health and safety of its ratepayers along with significant reductions to the odor problems, and these improvements are a contributing factor for Staff’s recommendation not to appoint an interim manager at this time. The improvements to date are listed below.

Section 14 WWTP

Far West has completed the Section 14 WWTP Phase I Expansion by using Membrane Bio Reactor technology to produce Class A+ Reclaimed Water. Currently, the Section 14 wastewater treatment plant (“WWTP”) is permitted to treat 0.681 Million Gallons per Day. Effluent is used for irrigation of the Las Barrancas Golf Course.

Del Oro WWTP

Del Oro WWTP Phase I Expansion has been completed, and the capacity increased from 0.15 to 0.30 Million Gallons per Day. Membrane Bio Reactor technology is used to produce Class A+ Reclaimed Water. Effluent is used for irrigation of the Mesa Del Sol Golf Course.

Palm Shadows WWTP

Palm Shadows WWTP was designed to treat 0.20 Million Gallons per Day, but typically receives flows of approximately 0.26 Million Gallons per Day in the winter. The treatment plant has a history of exceeding its Aquifer Protection Permit Discharge Limits of 10 mg/l for Total Nitrogen and poor percolation at the effluent ponds has contributed to septic odors in nearby residential areas. Far West has upgraded the Palm Shadows Collection System to deliver raw sewage from the Palm Shadows service area to the expanded Section 14 WWTP for treatment and disposal.

ADEQ COMPLIANCE

In October 2012, ADEQ issued Compliance Status Reports regarding Far West's WWTPs. ADEQ reported that while not in compliance with the Consent Judgment CV2008-021676 ("CJ"), ADEQ is encouraged by the progress that Far West has made. ADEQ is currently amending the CJ to provide future dates for Far West to complete the remaining tasks required by the CJ. ADEQ anticipates that an amended CJ will be effective by June 2013.

The Process to Appoint an Interim Manager

The process for the appointment of an interim manager typically starts with the filing by Staff of a complaint, petition for an order for interim relief. Staff typically initiates such a petition when Staff has determined that there is a serious potential for harm to the public. Staff's petition is supported by affidavits. These affidavits usually state there is a clear and present danger to the public health and safety requiring the appointment of an interim manager to ensure that the public is protected. The Commission, at an Open Meeting, then hears Staff's petition. If the Commission determines that Staff's petition merits action, the Commission issues an order, granting Staff's petition and allowing Staff to enter into an agreement for an interim manager. The appointment of an interim manager is considered extraordinary relief by the Commission, ordered when no other options exist. The appointment of an interim manager is intended to be a temporary measure used to ensure safe and reasonable service.

For example, *In the Matter of Hacienda Acres Water Company*, Staff filed a complaint and was granted the authority to appoint an interim manager because of Hacienda's numerous violations of Commission orders, failure to provide water during curtailment and threats to discontinue water service.¹

SMO:GWB:tdp\WVC

Originator: Gerald Becker, Jian Liu

¹ Docket No. 07-0470.

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Docket No. DOCKET NO. WS-03478A-12-0307

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