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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
ROBERT BURNS
SUSAN BITTER SMITH

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Arizona Corporation Commission
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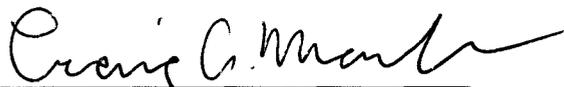
IN THE MATTER OF THE APPLICATION OF
FAR WEST WATER & SEWER, INC., AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
WASTEWATER RATES AND CHARGES
BASED THEREON FOR UTILITY SERVICE

DOCKET NO. WS-03478A-12-0307

COMPLIANCE FILING
AFFILIATE TRANSACTION
POLICY

As required by Decision No. 74097, Far West Water and Sewer, Inc. ("Far West") hereby files an Affiliate Transaction Policy.

Respectfully submitted on November 27, 2013, by:



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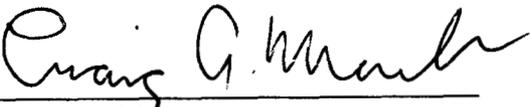
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Far West Water & Sewer, Inc. Affiliate Transaction Policy

Part One - Definitions

“Far West” means Far West Water & Sewer, Inc.

“Commission” means the Arizona Corporation Commission.

“Affiliate” means an entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with Far West.

“Confidential Customer Information” means any non-public customer-specific information

“Extraordinary Circumstance” means any situation that requires Far West to act in a manner contrary to this Affiliate Transaction Policy to ensure the reliability of Far West's system, or ensure the safety of employees or the public, or to respond to any other emergency where such action is required.

Part Two - Basic Principles

I. Applicability of Affiliate Transaction Policy

- A. The Affiliate Transaction Policy applies to Far West and its interactions with its Affiliates, unless an Extraordinary Circumstance excuses compliance.
- B. Regardless of any provision of this Affiliate Transaction Policy, in an Extraordinary Circumstance Far West may take whatever steps are necessary to ensure the reliability of Far West's system, to protect the public interest, or to ensure safety for employees and the public. Far West shall notify the Commission within 24 hours of or the next business day after an Extraordinary Circumstance.

II. No Discrimination in Service

Far West shall not give preferential treatment to its Affiliates and shall treat affiliated and non-affiliated entities in a nondiscriminatory manner in providing service or securing goods and services.

III. Confidential Information

- A. Far West shall not provide Confidential Customer Information to any Affiliate or a Third Party without the customer's prior written authorization. Such information may be provided only to the extent specifically authorized.
- B. Far West shall not provide Confidential Information to an Affiliate unless such information is also made available to Third Parties under similar terms and conditions. This restriction shall not apply to Confidential Customer Information provided with the customer's prior written authorization.

- C. If Confidential Customer Information is properly requested by a Third Party, Far West shall not unreasonably delay or withhold the release of the requested Confidential Customer Information.

IV. Separation Requirements

- A. Far West shall be a separate corporate entity from its Affiliates.
- B. Unless otherwise permitted by the Affiliate Transaction Policy, Far West shall operate separately from its Affiliates to the extent practical.
- C. Far West shall keep separate books and records and shall keep accounting records that set forth appropriate cost allocations between Far West and its Affiliates, which shall be made available to the Commission in accordance with A.A.C. R14-2-804(A).

V. Transfers of Good and Services

- A. Far West shall not subsidize its Affiliates through any rates or charges and, except as otherwise provided below, all transactions between Far West and its Affiliates shall be Arm's Length Transactions.
- B. Any services provided by Far West or an Affiliate that are subject to a filed tariff shall be provided at the rates and under the terms and conditions set forth in the tariff, unless an exception is permitted by the governing body with jurisdiction over such tariff. Far West shall not be required to charge an Affiliate more than its authorized tariff rate for any service.
- C. A Far West employee may provide services to an Affiliate provided that the time for all such services is properly documented on the employee's time sheet and the Affiliate reimburses Far West for such services at the employee's hourly salary plus all applicable taxes, benefits, matching funds and insurance.
- D. If Far West sells or leases non-tariffed goods or services to an Affiliate, including the use of vehicles or other equipment, the price shall be at market.
- E. If an Affiliate sells or leases non-tariffed goods or services to Far West, the price shall be at market.
- F. For all purchases of goods or services from an affiliate with a cumulative value exceeding \$100,000, Far West will solicit competitive bids from at least two non-affiliated entities. In awarding a contract to a bidder, Far West will document the reasons for selecting the bidder, including, but not limited to the bid price, bidder's experience, and the expected time to provide the services. Far West will retain copies of all bid documents, including the requests for proposal, responses, selection documentation, and the bid award.

VI. Compliance, Dissemination and Education

- A. Compliance with the Affiliate Transaction Policy is mandatory.
- B. The failure or refusal of an employee of Far West or its Affiliates to abide by or to act according to the Affiliate Transaction Policy or the Policies and Procedures may subject the employee to disciplinary action, up to and including discharge from employment.
- C. Copies of this Affiliate Transaction Policy shall be provided to employees and agents of Far West and its Affiliates that are likely to be engaged in activities subject to the Affiliate Transaction Policy.

VII. Modifications to the Affiliate Transaction Policy

- A. Far West may request modifications to the Affiliate Transaction Policy by filing an application with the Commission. The application shall set forth the proposed modifications and the reasons supporting them.
- B. Far West may not make and implement any material change to Affiliate Transaction Policy, without filing an update with the Commission or its designee. Once notification is made by Far West of an intended modification, if no action is taken by the Commission or its designee within 30 days of its filing, the modification shall be deemed approved.

VIII. Reporting Requirements

Far West shall submit the following information to the Commission on an annual basis each April 15th, which shall be available to the public:

- A. A list of all Extraordinary Circumstances that explains the nature, cause, and duration of each incident.
- B. A report summarizing the charges associated with all non-tariffed transactions between Far West and its Affiliates, with the associated charges reported separately for each Affiliate and for each category of service.
- C. A summary of all competitive bids and the results.
- D. An attestation, signed by the chief executive officer or an executive vice president of Far West, that Far West has complied with the Affiliate Transaction Policy.

IX. Dispute Resolution

To the extent permitted by law, complaints concerning violations of this Affiliate Transaction Policy shall be processed under the procedures established in A.A.C. R14-2-411.