

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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

**FAR WEST WATER & SEWER COMPANY  
FEBRUARY 4, 2011, STATUS MEETING**

**Far West's Responses to Intervenor Questions**

1. 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?

**Response:** All plants and pump stations have either radios or auto-dialers to reports high levels and other problems. As part of the plant upgrades, all plants will have SCADA equipment installed so that status can be monitored from one or more locations.

Back-up generators have been installed at Del Oro WWTP and at Section 14 WWTP. Far West will be installing a back-up generator at Palm Shadows with the conversion.

2. 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.

**Response:** There have not been continued sewage spills at any of these locations. Sanitary System Overflows ("SSOs") do occasionally occur with every sewage system in the United States, including public and private systems.

Concerning Palm Shadows, there have been four SSOs in the last three years:

- April 25 2008 – Pump backup caused overflow into Storm catch-basin.

- May 12 2009 – Pump electrical failure (burned wire) caused overflow into Storm catch-basin.
- April 3, 2010 – Failure of Pump Contactor. Spill contained on-site
- December 21, 2010 – Transformer failure. Overflow into Storm catch basin.

The intersection of 38<sup>th</sup> Street and Mesa Drive is the low point on the collection system.

The pump stations are checked every day for: proper working order; level of influent; and debris. A VAC truck makes the round of the lift stations, hitting each lift station weekly, to pump out any debris that might hamper operation of the pump station or affect the flotation devices that signal high levels.

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

**Response:** Far West has applied with the Commission for approval to add this parcel to our certificated service area. Once the Commission provides its approval, When capacity is available and Far West is permitted to connect this center to its system, the connections will be inspected by Far West personnel, the County representative and the Fry’s engineer.

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

**Response:** Far West is operating a skid mounted Zenon unit at the Del Oro WWTP. It produces A+ effluent.

5. 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?

**Response:** This question is too broad to answer outside of a rate case.

- In general, Far West owns quite a bit of equipment, including trucks and trailers, as well as the equipment at the plants (water and sewer).
- The VAC truck is leased. Far West also rents two pieces of heavy duty equipment used in the construction of the plants and for water and sewer repairs.

- Far West does not own the building it occupies. The rent Far West pays for its building is comparable to the rent paid by Rural Metro for its use of the building on 44th Street.

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

**Response:** This is reported in the aggregate, by account in Far West’s Annual Report to the Commission.

7. 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?

**Response:** Far West uses the software at both offices, the main Far West office on 44th Street, and at the office of the Far West comptroller on Foothills Blvd. H&S does not use this software

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

**Response:** Far West is not aware of any material items of this nature.

9. 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?

**Response:** Please see the following table for sewer capacity fees collected from 2007 - 2010:

Date	Developer	Development,	Total
	Received From:	Phase #	Sewer
02/13/07	Estrella Units 3 and 4, LLC	Estrella at Mesa del Sol Unit 3	225,240.00
02/27/07	Sam Hudson, LLC	MDS 12-2 Mesquite Phase 2	124,740.00
03/06/07	Guadalajara Group de Algodones, LI	Comfort Inn	59,290.00
05/16/07	Fortuna Wash, LLC	Arroyo de Fortuna Unit 1	189,420.00
05/21/07	H & S Developers, Inc.	Las Barrancas #1	354,292.00
04/10/09	H & S Developers, Inc.	El Rancho Encantado #1	177,839.48
05/05/09	Ab-Sub Developers, Inc.	MDS Commercial 2009	186,606.59
			1,317,428.07

All funds collected have been used for sewer plant improvements.

This information is not readily available for years before 2007. Water capacity fees are outside the scope set by the Administrative Law Judge for these continuing status reports.

10. What are the projected sewer and water capacity fees for future development?

What is the rationale for capacity fee amounts?

**Response:** This is difficult to estimate. Current fees are based on the cost per customer to fund system upgrades. As construction costs change due to inflation, technological changes, and other factors, the estimates will need to be revised. Further, the recovery of the local real-estate market will affect the timing and amounts of collected fees. Far West expects to apply for Commission-approved water and sewer hook-up fees as part of its next rate application. The hook-up fees will replace capacity fees for future customers.

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

**Response:** Nine.

12. 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?

**Response:** The Commission would have to approve the issuance of preferred stock. Far West expects that preferred stock would be offered to qualified investors at a rate sufficient to attract investors commensurate with the investment risk. Far West does not currently expect to offer the stock to current common stock owners.

13. 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?

**Response:** This was a cash equity infusion. As equity, there is no interest or guaranteed payback.

14. 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.”

**Response:** This was a typographic error. Paula Capestro is Far West's Chief Financial Officer. Far West apologizes for the error.

15. 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?

**Response:** Sandra Braden is Far West's Chief Executive Officer.

16. 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?

**Response:** The pond at 56th and 15E is filled with fresh water from a well at that site. It is operational and is used for watering two golf courses.