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ARIZONA CORPORATION COMMISSION

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2004 AUG -9 P 3:32

August 9, 2004

AZ CORP COMMISSION
DOCUMENT CONTROL

Richard L. Sallquist
4500 S. Lake Shore Road, Suite 339
Tempe, Az 85282

RE: PINEVIEW WATER COMPANY, INC. – APPLICATION FOR A RATE INCREASE,
DOCKET NO. W-01676A-04-0500

LETTER OF DEFICIENCY

Dear Mr. Sallquist:

In reference to your rate application received on July 9, 2004, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

A list of deficiencies and additional information needed is attached. The 30-day sufficiency determination period will begin anew when the company corrects the deficiencies, provides the requested additional information and Docket Control receives an original and sixteen copies of the corrected pages and requested additional information.

The Staff person assigned to your application is Elena Zestrijan. She can be reached at (602) 542-0831, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

James Dorf
Chief, Financial & Regulatory Analysis Section
Utilities Division

CC: Docket Control Center (sixteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

Pine View Water
5198 Cub Lake Road
Show Low, Az 85901

Arizona Corporation Commission
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LIST OF DEFICIENCIES AND REQUESTED ADDITIONAL INFORMATION

DEFICIENCIES

1. Bill Count, 1 ½ Inch Meter – The bill count for the 1 ½ inch meter on Schedule H-4, page 4 does not produce the revenue shown on Schedule H-1, page 1.
2. Bill Count, Construction Water – Please provide the number of gallons sold for construction water.
3. Pro Forma Adjustment, Water Sales – The \$25,085 pro forma adjustment for water sales shown on Schedule C-1 does not agree as it should to the \$22,524 pro forma adjustment for water sales shown on Schedule C-2. Please correct.
4. Lead Lag Study – Decision No. 59934 (on page 15 at 11) states that “in the event that Pineview Land and Water Company does not conduct a lead lag study in connection with its next rate proceeding, the Commission shall adopt a zero cash working capital component in determining rate base.” Please provide the lead lag study to support the \$56,798 cash working capital amount shown on Schedule B-5, page 1 or change the amount to comply with the Commission order.

ADDITIONAL INFORMATION

5. Bill Count, Block Increments – Please provide bill counts for all meter sizes in 1,000 gallon increments.
6. Cost of Service – Please state whether or not there is any significant difference in the cost to serve the various meter sizes.
7. Water Loss – The water usage data from June 2003 through May 2004 reflects a water loss of 18.9%. A rate in excess of the 10% is considered abnormal. Please explain the reason for the excessive rate.
8. Plant in Service - According to Decision No. 59934, the Company owned and operated well # 1, a 40,000 gallon storage tank and a 5,000 gallon pressure tank. Please explain why above items were excluded from the application.
9. Well # 3B - Based on information received from the Company, well # 3B was installed and in service in 1997. Please explain why this plant was not included on the application.
10. Iron Problem – The Company was faced with an iron problem in 1996, at which time well # 1 and well # 4 were taken out of service. The Commission granted the Company \$20,000 to conduct an engineering study to find a resolution to the iron problem, see Decision No. 59934. According to ADEQ, the Company is in compliance with the water

quality standards. Please explain how the iron problem was resolved and also submit itemized expenses for the work performed.

11. Depreciation Calculation – Please provide a detailed calculation for the \$44,684 of depreciation expense presented on Schedule C-1 of the application.