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ARIZONA CORPORATION COMMISSION

Mr. Jay L. Shapiro
Fennemore Craig
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012

March 30, 2005
Arizona Corporation Commission

DOCKETED

MAR 30 2005

DOCKETED BY	<i>RS</i>
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AZ CORP COMMISSION
DOCUMENT CONTROL

Re: Circle City Water Company, - Application for an Extension of its Certificate of Convenience and Necessity (CC&N) Docket W-03510A-05-0146
INSUFFICIENCY LETTER

Dear Mr. Shapiro,

In reference to Circle City Water Company's Application for an Extension of its Certificate of Convenience and Necessity, docketed March 2, 2005, this letter is to inform you that the application has not met the sufficiency requirements as outlined in Arizona Administrative Code regarding the company's financial structure and technical capabilities to serve.

1. The Application indicates Circle City Water Company is currently \$2.1 million in debt to an associated company, please provide a copy of the documents evidencing the debt of Circle City Water Company.
2. Please provide a copy of the Commission Decision authorizing the utility to incur \$2.1 million in debt.
3. Please describe how the debt was incurred for used and useful prudent expenses for the benefit of current customers.
4. Please describe how Circle City Water Company will eliminate the debt.
5. Please describe how Circle City Water Company will eliminate the debt if no extension of territory is granted by the Commission.
6. Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient capital, or can obtain sufficient capital, to service the existing and future demands from the proposed CC&N.

7. The Application indicates the extension area will be served, in part, through Circle City's Central Arizona Project water allocation. Please provide evidence of Circle City's Central Arizona Project water allocation, including volume, scheduled delivery and treatment capabilities.
8. Please clarify if land costs are included in the proposed water treatment plant costs, in the event land costs are included please identify them.
9. The Application includes Exhibit III, the Master Water Plan, at page 4 of the report the estimated well production is 320 gallons per minute with eleven (11) wells. Please provide the hydrology report or studies that support this production and long term withdrawal at this groundwater production rate.
10. For the eleven (11) wells described in the application provide a schedule indicating the arsenic concentration and inorganic maximum contaminant level concentrations in each existing well. For each proposed well provide the estimated arsenic and estimated inorganic maximum contaminant level concentrations.
11. In the event the arsenic concentrations reported above exceed the new federal standard, please provide a water treatment design report detailing how the water will be treated to ensure compliance with the new federal standard.
12. For the eleven (11) wells described in the application provide a schedule indicating the water quality in each existing well and the estimated water quality for each proposed well.
13. Please explain the proposed water system construction phasing, particularly the proposed transitional timeframe from ground water to surface water.
14. Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N.

Per Arizona Administrative Code upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing a proposed Opinion and Order to present to the Commission at an Open Meeting.

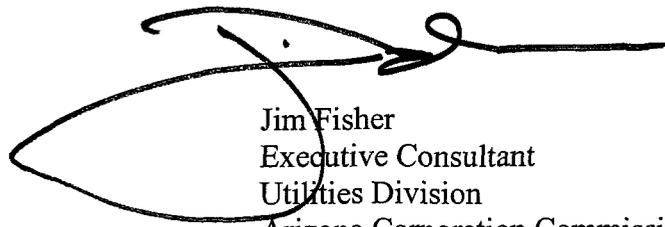
Please also understand that according to A.A.C. R14-2-411 C.3, Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

March 30, 2005

Page 3

Should you have any questions or concerns on this matter, please contact me at (602) 542-0839.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Fisher". The signature is written in a cursive style with a large loop at the end.

Jim Fisher
Executive Consultant
Utilities Division
Arizona Corporation Commission

C: Docket Control
Lyn Farmer
Jim Dorf
Del Smith
Vicki Wallace