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<p>COMMISSIONERS JEFF HATCH-MILLER - Chairman WILLIAM A. MUNDELL MARC SPITZER MIKE GLEASON KRISTIN K. MAYES</p>	 ARIZONA CORPORATION COMMISSION	
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December 9, 2005

SALLQUEST, DRUMMOND & O'CONNOR, P.C.

Richard L. Sallquest
4500 S. Lakeshore Drive, Suite 339
Tempe, AZ 85282

RE: COMMUNITY WATER OF GREEN VALLEY – APPLICATION FOR A RATE INCREASE, DOCKET NO. W-02304A-05-0830

LETTER OF INSUFFICIENCY

Dear Mr. Sallquest:

In reference to your rate application received on November 9, 2005, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until December 27, 2005, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

The Staff person assigned to your application is Ronald E. Ludders. He can be reached at (602) 542-0857, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

James Dorf, C.P.A.
Chief, Financial & Regulatory Analysis Section
Utilities Division

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AZ CORP COMMISSION
DOCUMENT CONTROL

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

COMMUNITY WATER OF GREEN VALLEY
DOCKET NO. W-02304A-05-0830
TEST YEAR ENDED DECEMBER 31, 2004

DEFICIENCY EXHIBIT

1. Company Schedule C -1, Income Statement shows Metered Revenues of \$2,119,210 while Schedule H-1, Revenue Summary shows metered revenues before annualization of \$2,086,039.
2. Referring to Company Schedule B-5, Computation of Working Capital, the Company utilized the "formula method" to determine the working capital rather than a Lead/Lag study. Was a Lead/Lag study prepared? If so, please incorporate the results of the Lead/Lag study into your schedules.
3. Please forward the Arizona Department of Revenue certificate of compliance letter of good standing. If this certificate has not been requested as of this date, please use the attached application.
4. Company Schedule A-3, Summary of Capital Structure, Lists 12/31/2003 Long-Term Debt of \$466,666 while the Company's Schedule E-1, Comparative Balance Sheets lists 12/31/2003 Long-Term Debt of \$433,333, please reconcile this difference.
5. Company Schedule A-3, Summary of Capital Structure, Lists 12/31/2004 Long-Term Debt of \$433,333 while the Company's Schedule E-1, Comparative Balance Sheets lists 12/31/2004 Long-Term Debt of \$400,000, please reconcile this difference.
6. When completing the various schedules required for this filing, please list every line shown for each schedule as required by Regulation R14-2-103. If a particular line does not apply, place zeros in the appropriate column. For instance, Schedule A-3, Summary of Capital Structure, begins by requesting information regarding Short-Term Debt, however this line was omitted from schedule submitted. Please review all schedules and correct any other omissions.
7. Company Schedule F-3, Projected Construction Requirements, does not include the required "Actual Test Year Ended" figures for December 31, 2004. Please remit the requested information.
8. Company Schedule D-1, Summary of Cost of Capital, lists end of test year Long-Term Debt at \$400,000, while Schedule A-3, lists end of test year Long-Term Debt at \$433,333.

9. Company Schedule D-2, Cost of Long-Term Debt, lists end of test year Long-Term Debt at \$400,000, while Schedule A-3, lists end of test year Long-Term Debt at \$433,333.
10. The Company submitted its Water Company Plant Description report from its 2004 Annual Report which shows 9,133 customer meters while the Company states in its narrative that it has 10,119 customers at the end of Test Year 2004. Please clarify.
11. The Company submitted its Water Use Data Sheet by Month for Calendar Year 2004 which reports its August gallons sold at 14,679,000 gallons which is significantly different from the other eleven months sales. Please explain and verify the correctness of this figure.
12. The Company submitted its Water Use Data Sheet by Month for Calendar Year 2004 which reports each of August and September gallons pumped at 70,042,000 gallons precisely. It is unusual to have the exact same gallons pumped in consecutive months, please explain and verify the correctness of these figures.
13. Company Schedule E-9 indicates the Company attached its Auditor's Report to its application, however, Staff did not receive this document; please forward the report to Staff.
14. Company Schedule G-1, Cost of Service Study, Using Commodity Demand Method – Rates of Return at Present Rates, lists total revenues of \$2,213,803 while the Schedule C -1, Income Statement lists total revenues of \$2,277,450. Please reconcile and report the correct number.
15. Company Schedule H-1, Revenue Summary, lists revenues using present rates of \$2,086,039, while G-1 lists total revenues of \$2,213,803 and the C-1 lists Test Year revenues of \$2,277,450 and Test Year Adjusted Revenue of \$2,220,455. Please reconcile and report the correct numbers to the proper schedules.



Arizona Department of Revenue • Field Operations

PO Box 29070 • Phoenix, AZ 85038-9070

Tel: (602) 542-4472

TAX CLEARANCE APPLICATION

1. Applicant Information:

APPLICANT NAME		DAYTIME TELEPHONE NUMBER () -	
ADDRESS			
CITY	STATE	ZIP CODE	

2. Tax Clearance Purpose: *Check only one box.*

CERTIFICATE OF COMPLIANCE FOR DISSOLUTION OR WITHDRAWAL:

- Dissolution of Corporation**
 Withdrawal from Arizona**

LETTER OF GOOD STANDING:

- Sale of Business
 Personal
 Residency
 Other:

3. Application Type: *Check only one box and provide tax identification number(s).*

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Corporation | Federal Employer I.D. No. |
| <input type="checkbox"/> S Corporation | OR |
| <input type="checkbox"/> Partnership | AZ Transaction Privilege License No. |
| <input type="checkbox"/> Tax Exempt Organization | OR |
| <input type="checkbox"/> Limited Liability Company | AZ Withholding Tax License No. |
| <input type="checkbox"/> Limited Liability Partnership | |
| <input type="checkbox"/> Estate | Social Security No. |
| <input type="checkbox"/> Trust | OR |
| <input type="checkbox"/> Individual | AZ Transaction Privilege License No. |
| | OR |
| | AZ Withholding Tax License No. |

4. Signature

Print Name _____

Print Specific Title (Corporate Officer, Partner, Individual) _____

Signature _____

Date _____

5. Mail application to:

Arizona Department of Revenue
TCS 7th Floor
PO Box 29070
Phoenix, AZ, 85038-9070

POWER OF ATTORNEY: If this application is submitted by anyone other than a Corporate Officer, General Partner, or Individual (Sole Proprietor), Arizona Form 285, *General Disclosure/Representation Authorization Form*, is required. Visit our web site at www.revenue.state.az.us and click on the *Tax Forms* link to obtain Form 285.

Be sure to sign the application. Unsigned applications will not be processed. Do not fax the application. Faxed applications will not be processed.

** Not applicable to Estate, Trust, or Individual application types

ADOR 25-0002 (5/01)