

ORIGINAL



0000039806

Tortolita Water Company, Inc  
3567 E. Sunrise Dr., Ste 119  
Tucson, AZ 85718  
(520) 615-9802

January 17, 2006

Charles R Myhlhousen  
Arizona Corporation Commission  
1200 W Washington St  
Phoenix, AZ 85007-2927

Re: Docket No. W-02301AQ-05-0873  
Application for Rate Increase  
Letter of Insufficiency

Dear Mr. Myhlhousen:

I am responding to the letter of insufficiency dated January 4, 2006. Enclosed is an original and 16 copies of the corrected pages, (Page 6, 9, 11 and 18, all marked 'REVISED'), along with 5 copies of the requested copies of documents. I have also included an original and 16 copies of the Attachment of Deficiencies(1/4/2006) with our responses.

I hope this will meet the requirements.

Sincerely,

Karyn Ullery

AZ CORP COMMISSION  
DOCUMENT CONTROL

2006 JAN 19 P 12:22

RECEIVED

Tortolita Water Company.  
Docket No. W-02301A-05-0873 Test  
Year ended December 31, 2004

RECEIVED

2006 JAN 19 12:22

Attachment of Deficiencies (1/4/2006)

AZ CORP COMMISSION  
DOCUMENT CONTROL

- 1.1 Page 1. Please provide a copy of Arizona Department of Environmental Quality most current compliance status report.  
  
Tortolita Water response:  
We were not regulated by ADEQ during the test year, the new upgrades to the wellsite will be certified and we expect this to be completed by the end of January 2006.
- 1.2 Page 6. A box is not checked for the Backflow Prevention tariff. Please correct.  
Tortolita Water response:  
This is now checked, it was included with the original submittal.
- 1.3 Page 6. The customer's notification date is missing. Please fill in the date when the customers were notified.  
Tortolita Water response:  
This is now completed.
- 1.4 Page 11. Current and Proposed Rates and Charges. Re-establishment current charge should be \$25.00, not per rule. The Late Fee current charge should be zero, not 1.5% per month. Please correct.  
Tortolita Water response: Revised rate change attached.
- 1.5 Page 13m. Please furnish copy of the invoice for the structure in account number 304 which shows a cost of \$20,000 which was added in the year 1990. What is this structure?  
Tortolita Water response:  
This structure is the mobile home that was included in the purchase of the land. There is no invoice as it was included in the complete purchase.
- 1.6 Page 14. The account number 333 Services in the amount of \$695 and account number 334 Meters and Meters Installation in the amount of \$69 is not shown on any of the additions to plant pages. Please explain how these amounts were determined and why they were added.

Response from Ronald L. Kozoman

Please see column B for these two items on page 14. They are listed as plant additions in 2004.

- 1.7 Page 18. Please provide the gallons sold and gallons pumped for January 2004. If this information is not available provide the information for the month of January 2005.  
The Company is providing January 2005 water pumped.
- 1.8 Page 18. The total gallons pumped and the total gallons sold are the same amounts. They should be different. The Company has a storage tank.  
Please reconcile.  
Response from Ronald L. Kozoman  
  
The well meter was broken in the test year, and because the entire system was being re-built with new pumps and storage tank, the broken meter was not replaced on the old system.
- 1.9 Page 21. Balance Sheet. Account number 101, Utility Plant in Service is \$5,674. Account number 121 Non-Utility Property is \$70,000. Pages 14 and 15 shows utility plant in the amount of \$75,764. Please reconcile.  
  
Response from Ronald L. Kozoman  
  
 $\$5,674 + \$70,000 = \$75,674$ , plant plus additions from page 15 = total plant (In Service and Non-Utility plant Page 14).
- 1.10 Page 21 Balance Sheet Account number 108 utility plant accumulated depreciation is \$5,011 and account number 122 non-utility plant accumulated depreciation is \$9,657. Page 15 shows utility plant accumulated depreciation as \$14,671. Please reconcile.  
  
Response from Ronald L. Kozoman  
  
Plant was In Service and Non-Utility plant were combined, as there is no space on the form for Non-Utility plant
- 1.11 Page 22. Balance Sheet account number 225 Meter Deposits has a balance of \$500. Page 23 shows meter deposits with a blank balance amount. Please reconcile.  
  
Response from Ronald L. Kozoman  
  
The Company paid for these meters, thus is no meter deposit, as the customers did not pay for the meters.

- 1.12 ADEQ MAP invoice is missing. Please furnish a copy of this invoice.  
Tortolita response: We do not have one yet.
- 1.13 Please furnish purchased power invoices for the months of November and December 2004 .  
Tortolita response: Attached
- 1.14 Please furnish testing invoices for the months of January, February and December 2004.  
  
Tortolita response: I assume this is Jan & Feb 2005 and Dec 2004. We did not have any testing done on a regular basis until March 1, 2005. This was not required.
- 1.15 Please explain why there is a lease and rent paid for the mobile home when it is showed as a company plant in service item on page 14. Also provide a copy of the lease.  
  
Tortolita response: The mobile home was acquired as part of the purchase of the land and utility. It is currently rented on a month to month basis, since we plan on removing it from the property and in turn from the assets of the water company, sometime in February 2006.
- 1.16 Please provide a detailed description of the \$50,000 of plant in service item contained in account number 303 (land and land rights). This plant was first recorded on the books in 1962.  
  
Tortolita response: This was the value given the land at the time of purchase.
- 1.17 Please provide a detailed description of the \$5,000 of plant in service item contained in account number 311 (electric pumping equipment). This plant item was first recorded on the books in 1962.  
Response from Ronald L. Kozoman  
  
The item in question is Electric Pumping Equipment.
- 1.18 Please describe the circumstances which resulted in the need for repeated Bacti testing during May and June of 2004.  
  
Tortolita response: According to YL Technology, there was a positive reading in May, and the requirement calls for retests for that month and the following month.

- 1.19 Please describe and explain how the mobile home and space is being used for water company purposes.

Tortolita response: The rent received provides another source of income for the water company. Having the space occupied provides a measure of security and oversight of the wellsite.

- 1.20 Does the Type 2 Non-irrigation Grandfather Water Rights Lease (the agreement) submitted with the application apply to the well identified as ADWR No. 55-801242 in the application? The subject lease became effective as of July 1, 2003. Please provide a copy of the water right lease in effect prior to that date. Is the agreement submitted with the application still in effect? If not, provide a copy of the water right lease agreement that is currently in effect. According to the agreement the water will be withdrawn from a well owned by Tortolita Water Company, however there is no value recorded for this well in account Number 307 (wells and springs). Please explain.

Tortolita response: There was no prior water right lease. The agreement submitted with the application is still in effect, it has been extended to June 30, 2006. Copy of the Lease Extension Agreement is attached.

STATEMENTS IN SUPPORT OF RATE REQUEST

REVISED

Complete the following statements in support of your rate request.

Company Name: Tortolita Water Company (The "Company") requests an adjustment in the existing rates charged by the Company. The information contained in this application is based upon a twelve-month Test Year ending 12/31/2004 (mm/dd/yy). The Company had total operating revenues on an annualized basis \$ 1,171 , served 4 metered and 0 unmetered customers and sold 472,614 gallons of water during the test year.

The Company is requesting a(n) increase/decrease in the amount of \$ 1,842

Total annual operating revenues, if the Company is granted the rate adjustment, will be \$ 3,012

The Company is current on all property taxes. [X] YES [ ] NO

The Company is current on all sales taxes. (Please use the form in the appendix and see checklist item 2 on page 1.) [X] YES [ ] NO

The Company currently has a Curtailment Plan Tariff on file with the Commission. [X] YES [ ] NO

The Company currently has a Backflow Prevention Tariff on file with the Commission. (Filed with this rate case) [ ] YES [X] NO

The Company notified its customers of its application for a rate adjustment on 12/2/2005 (mm/dd/yy). A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION MUST BE ATTACHED. (See page 32)

By completing this application in support of the Company's request for a rate adjustment, the Company realizes that Original Cost Less Depreciation ("OCLD") plant information will be used to determine the fair value rate base, i.e., the Company waives the right to Reconstruction Cost New.

Company Name: Tortolita Water Company Test Year Ended: December 31, 2004

**REVISED**

**CURRENT AND PROPOSED RATES AND CHARGES**

CUSTOMER CLASS  Residential  Commercial  Industrial  
 Irrigation  All  Other, specify \_\_\_\_\_

**MONTHLY CHARGE**

MINIMUM OR SERVICE CHARGES	
5/8" x 3/4" Meter	
3/4" Meter	
1" Meter	
1 1/2" Meter	
2" Meter	
3" Meter	
4" Meter	
5" Meter	
6" Meter	

**CURRENT RATES**

\$		GALLONS
\$ 15.00	for	5,000
	for	

**PROPOSED RATES**

\$		GALLONS
\$ 15.00	for	-
\$ 22.50	for	-
\$ 37.50	for	-
\$ 75.00	for	-
\$ 120.00	for	-
\$ 240.00	for	-
\$ 375.00	for	-
N/A	for	-
\$ 750.00	for	-

GALLONS IN EXCESS OF MINIMUM	
Commodity Charge in Excess of Minimum	
(Charge per 1,000 Gallons	

**Current Rates**

\$1.50 per 1000 gallons above 5000  
 Rate Gallons

**Proposed Rates**

Rate Gallons

First Tier	
Second Tier	
Third Tier	
FLAT RATE	

Up to	99,999,999	Up to
	to	Please See Next Page. Tiers are based on
Over		Meter Sizes.
Per Month		

**Note: If rates and charges vary across customer classes, duplicate the form and complete one for each rate class. (e.g. residential, commercial) unless "All" is checked.**

Company Name: Tortolita Water Company Test Year Ended: December 31, 2004

**CURRENT AND PROPOSED RATES AND CHARGES**

CUSTOMER CLASS  Residential  Commercial  Industrial  
 Irrigation  All  Other, specify \_\_\_\_\_

SERVICE LINE AND METER INSTALLATION CHARGES
5/8" x 3/4" Meter
3/4 " Meter
1" Meter
1 1/2" Meter
2" Meter Turbo
2" Meter Compound
3" Meter Turbo
3" Meter Compound
4" Meter Turbo
4" Meter Compound
6" Meter Turbo
6" Meter Compound

CURRENT CHARGES
\$ 100
\$ 120
\$ 160
\$ 300
\$ 400

PROPOSED CHARGES
\$ 520
\$ 600
\$ 690
\$ 935
\$ 1,595
\$ 2,320
\$ 2,275
\$ 3,110
\$ 3,520
\$ 4,475
\$ 6,275
\$ 8,050

Establishment	
Establishment (After Hours)	
Reconnection (Delinquent)	\$ 5.00
Reconnection (Delinquent) after hours	
Meter Test	
Deposit	PER RULE
Deposit Interest	PER RULE
Re-establishment (Within 12 months)	\$ 25.00
NSF Check	
Deferred Payment	N/A
Meter Re-read	\$ 2.50
Late Fee	zero

\$ 25.00
\$ 35.00
\$ 50.00
AT COST
PER RULE
PER RULE
\$ 25.00
\$ 15.00
PER RULE
\$ 10.00
1.5% per month

**Note: If rates and charges vary across customer classes, duplicate the form and complete one for each rate class. (e.g. residential, commercial) unless "All" is checked.**

NAME OF COMPANY	Tortolita Water Company
ADEQ Public Water System Number:	

**REVISED**

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLONS PUMPED
		(Thousands)	(Thousands)
January	2	Not Metered	
February	2	17,850	17,850
March	2	19,740	19,740
April	2	22,240	22,240
May	2	29,180	29,180
June	2	46,570	46,570
July	3	44,430	44,430
August	4	72,150	72,150
September	4	56,800	56,800
October	4	30,080	30,080
November	4	34,260	34,260
December	4	39,216	39,216
Jan-05	4	60,098	60,098
<b>Total</b>	<b>39</b>		<b>472,614</b>

Is the water utility located in an ADWR Active Management Area ("AMA")?

Yes       No

Does the Company have an ADWR gallons per capita ("GPCD") requirement?

Yes       No

**If Yes, please provide the GPCD amount:** \_\_\_\_\_

**Arsenic Reading: Well**

**Arsenic Reading: Well**                      0.0002                      mg/1

Note: If you are filing for more than one system, please provide separate data sheets for each system.

For explanation of any of the above, please contact Engineering Supervisor at 602-542-7277.

\* This number must be equal to the number of entered on page 6, "sold gallons."

\*\* Gallons pumped cannot equal or be less than gallons sold.

Tortolita Water Co  
Docket #W-02301A-05-08573

## TORTOLITA WATER ATTACHMENTS REQUESTED

1.13 Purchased Power Invoices for November and December 2004

1.20 Copy of Lease Extension Agreement

TORTOLITA WATER CO.

1204

VENDOR ID: TRICOELECT  
PAYEE: Trico Electric

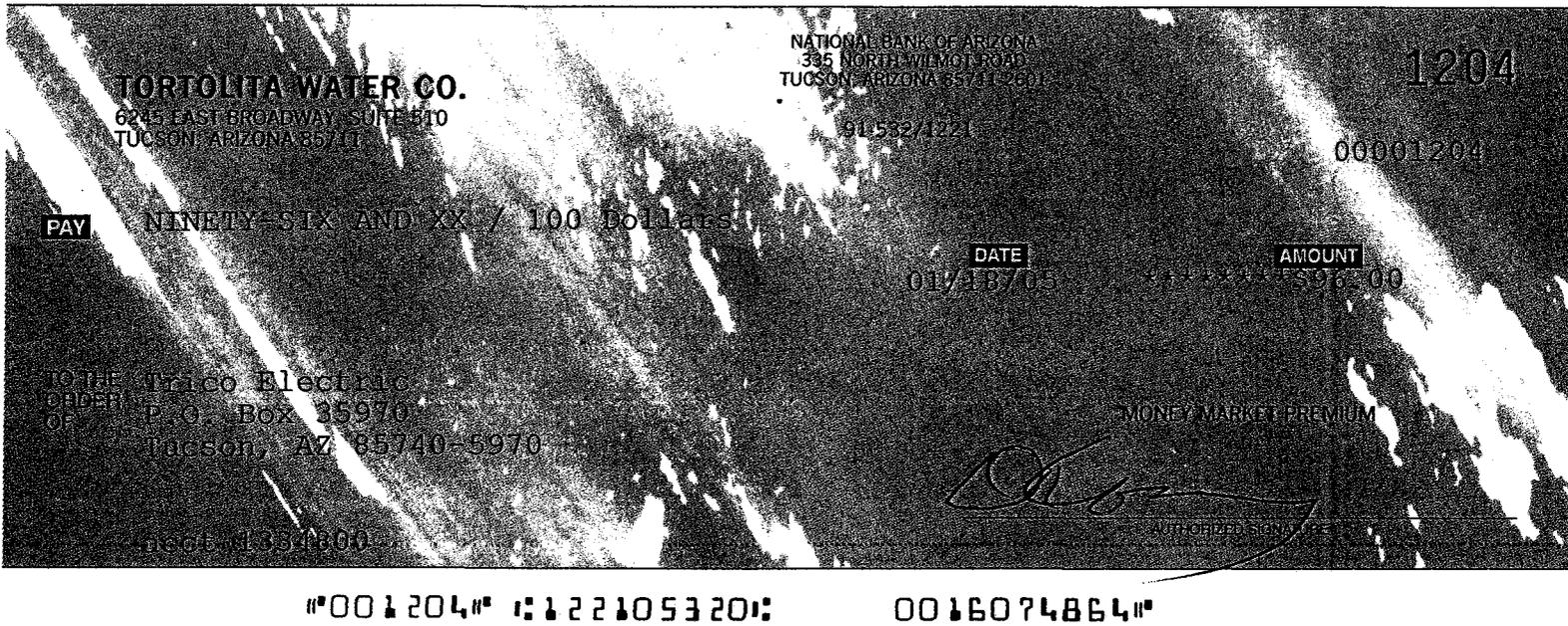
CHECK NO: 00001204  
MEMO: acct 1334800

DATE: 01/18/05

ACCOUNT  
6220 Utilities

AMOUNT  
96.00

CHECK TOTAL: \*\*\*\*\*\$96.00



VENDOR ID: TRICOELECT  
PAYEE: Trico Electric

CHECK NO: 00001204  
MEMO: acct 1334800

DATE: 01/18/05

ACCOUNT  
6220 Utilities

AMOUNT  
96.00

CHECK TOTAL: \*\*\*\*\*\$96.00

TORTOLITA WATER CO.

1204





LEASE EXTENSION AGREEMENT

The undersigned hereby agree to extend that certain Type 2 Non-Irrigation Grandfathered Water Right Lease, which became effective on July 1, 2003 and relates to Certificate of Grandfathered Right Number 58-112930.0005, on the terms and conditions set forth below.

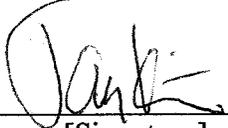
1. The term of the subject lease is hereby extended to June 30, 2006.
2. In consideration of Owner extending the subject lease, Lessee shall, upon execution of this Lease Extension Agreement, pay directly to Owner the sum of Two Thousand (\$2,000) Dollars.
3. The effective date of this agreement shall be July 1, 2005.
4. Except as modified by this Lease Extension Agreement, the terms and conditions of the subject lease shall remain in full force and effect.

OWNER:

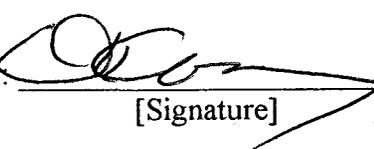
LESSEE:

PALO SECO CORPORATION

TORTOLITA WATER COMPANY, INC.

By:  \_\_\_\_\_

[Signature]

By:  \_\_\_\_\_

[Signature]

Its: President

Its: President