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ARIZONA CORPORATION COMMISSION

DL6D

March 17, 2006

Mr. Christopher Hiss  
 Cayetano, Inc., dba Lakewood Water Company  
 Post Office Box 733  
 Amada, Arizona 85642

RE: CAYETANO, INC., DBA LAKEWOOD WATER COMPANY – APPLICATION FOR A RATE INCREASE, DOCKET NO. W-01809A-05-0930

SECOND LETTER OF INSUFFICIENCY

Dear Mr. Hiss:

In reference to your rate application received on December 29, 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 found that your application was insufficient on January 30, 2006. The Company submitted information in response to that letter. The information submitted did not sufficiently or completely address some of the deficiencies. The continued deficiencies 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 April 1, 2006, to correct the deficiency or make other arrangements with Staff to remedy your rate application.

The Staff person assigned to your application is Charles R. Myhlhausen. He can be reached at (602) 542-0863, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

James J. 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

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 006 MAR 17 P 3:11  
 2 CORP COMMISSION  
 DOCUMENT CONTROL

Cayetano, Inc. dba Lakewood Water Company  
Docket No. W-01809A-05-0930  
Test Year ended December 31, 2004

List of Deficiencies:

- 2.1 Please furnish the Department of Revenue certificate of compliance.
- 2.2 On the revised copy of page 6 the customer notification date is missing. Please furnish.
- 2.3 On page 11 under the current tariff service charges, the Company states N/A for Deferred Payment. The current tariff on file states a charge for the Deferred Payment. Please correct.
- 2.4 The Company has a current tariff charge for fire sprinkler. This charge is not shown on page 11 of the application. Please correct.
- 2.5 The total plant additions on page 13 through page 13d is not the same amount as shown on page 14 total additions Column B. Please reconcile.
- 2.6 The total plant for the end of the test year on page 14, Column D is \$273,467. On page 15 Column A the amount is \$271,084. On page 20, Column A is \$273, 467. The plant total must be the same on all of the three pages. Please reconcile.
- 2.7 The bill count still does not produce the same revenue as the metered revenue shown on page 19 of the application. Please correct.
- 2.8 On page 18, please verify that the amount of gallons pumped and gallons sold for the months of March, May, June, and December 2004 are correct. If the gallons amounts are correct please explain why there is such a large difference in gallons pumped and gallons sold for these months.