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ARIZONA CORPORATION COMMISSION

February 13, 2006

Mr. Thomas M. Broderick
Manager, Rates & Regulatory Affairs
Arizona-American Water Company
19820 North 7th Street
Phoenix, AZ 85024

RE: ARIZONA-AMERICAN WATER COMPANY-- APPLICATION FOR A RATE INCREASE FOR THE MOHAVE WATER AND WASTEWATER DISTRICT, DOCKET NO. WS-01303A-06-0014

LETTER OF INSUFFICIENCY

Dear Mr. Broderick:

In reference to your rate application received on January 13, 2006, 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 February 28, 2006, 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 Jamie R. Moe. He can be reached at (602) 542-0855, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

James Dorf

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AZ CORP COMMISSION
DOCUMENT CONTROL

Chief, Financial & Regulatory Analysis Section
Utilities Division

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

Staff's List of Deficiencies

1. The 06-0014 rate application does not have the engineering information needed for Staff's sufficiency. The specific information needed are:
 - a) Compliance status reports from ADEQ for ALL water and wastewater systems.
 - b) The utility's most recent ADEQ Monitoring Assistance Program invoice for each water system, if participating.
 - c) Completion of a Water Use Data Sheet for each water system for the test year.
 - d) Wastewater flow per month for each wastewater system during the test year.
 - e) Inventory of the major plant-in-services for the water and wastewater systems.
 - f) Supplemental forms are provided on the website below to submit Items 1, 3, 4 and 5, as noticed on the Utilities Division Website at:
<http://www.cc.state.az.us/utility/water/forms.htm>

Please take notice of our website for the engineering information needed for your rate application.
2. No notarized statement is attached indicating customer notification of the rate application and proposed rates.
3. There is no information on the form of customer notification given.
4. Staff is concerned that the Company's test year, June 26, 2004 through June 24, 2005, may not be sufficient for Staff's analysis. Staff may require additional audit time and procedures to insure that the time period revenues and expenses are representative of a twelve-month period. Staff is also concerned that it may be difficult to confirm billing determinants and reconcile bill counts to annual revenues. The Company is hereby noticed that Staff may ask for additional time to submit its testimony should it encounter any difficulty with the Company's test year. Staff will endeavor to make an evaluation of this area as soon as possible so all parties can be properly informed. The following information may be helpful in assisting Staff's evaluation:
 - a) When does the Company's fiscal year end?
 - b) When does the Company's tax year end?
5. Staff's analysis of metered revenues from the Company's bill count does not reconcile with the Company's metered revenues on Schedule H-2.