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ARIZONA CORPORATION COMMISSION

2006 FEB 16 P 2:46

AZ CORP COMMISSION
DOCUMENT CONTROL

February 16, 2006

OLD

Craig A. Marks
19820 N. 7th Street
Suite 201
Phoenix, AZ 85024

RE: Arizona-American Water Company – Application for Extension of its Certificate of Convenience and Necessity (CC&N) to Provide Water and Wastewater Utility Services in its Anthem Water and Anthem Wastewater Districts in Docket No. WS-01303A-06-0036
INSUFFICIENCY LETTER

Dear Sir:

In reference to the above mentioned application filed on January 20, 2006, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. In Section VI of Exhibit "C" (Water and Wastewater Facilities Line Extension Agreement) of the Application, references were made to the Anthem Agreement and to Water Lease. It is Staff's understanding that the original Anthem Ak-Chin Agreement provided for about 10,000 acre feet of Ak-Chin Water to be used solely to serve Anthem.
 - Is the Water Lease (which would assign to Arizona-American Water Company ("Utility") the right to receive 238 acre feet of Ak-Chin Water) an extension of the original Anthem Agreement? Please explain.
 - Please provide a copy of the Anthem Agreement with its first, second, and third amendments.
 - Please provide a copy of the Water Lease and/or Agreement for the 238 acre feet of Ak-Chin Water.
 - Please provide a copy of the Arizona Department of Water Resources ("ADWR") Certificate of Assured Water Supply for the 238 acre feet of Ak-Chin Water. If not available, please provide a copy the ADWR's Physical Availability Determination. If a determination of Assured Water Supply has not been obtained from ADWR, please inform Utilities Division Staff ("Staff") of the status of the application for that determination.

- Has the Ak-Chin Indian Community and the Secretary of the Interior approved the assignment of the right to receive 238 acre feet of Ak-Chin Water to the Utility by Del Webb Corporation? If so, please provide a copy of the approvals. If no, please inform Staff of the status of the application for the approvals.
2. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the water facilities to serve the proposed extension area. If the Approval to Construct has not been issued, please inform Staff of the status of the application for the Approval to Construct.
 3. Please provide a copy of the approved Central Arizona Association of Government ("CAAG") Section 208 Plan which includes the proposed extension area. If the Section 208 Plan has not been issued, please inform Staff of the status of the application for the Section 208 Plan.
 4. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the wastewater facilities to serve the proposed extension area. If the Approval to Construct has not been issued, please inform Staff of the status of the application for the Approval to Construct.
 5. Please provide a copy of the Maricopa County franchise agreement that includes the proposed extension area (North half of Section 10, Township 6 North, Range 2 East). If the franchise agreement has not been issued, please inform Staff of the status of the application for the franchise agreement.
 6. Please provide a copy of the Utility's Certificate of Good Standing.
 7. The financial information referenced in the application as being "part of its Annual Report" is for the year ending December 31, 2004. Please provide a copy of the Utility's Balance Sheet and Income Statement for the year ending December 31, 2005.

Staff would like to use this opportunity to bring the following to your attention:

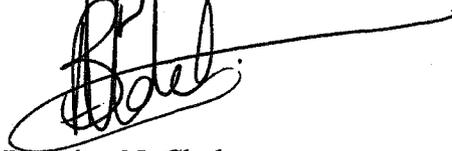
- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- Pursuant 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.

Please file your response to this Insufficiency Letter with Docket Control.

Arizona America Water Company (Docket No. WS-01303A-05-0036)
Insufficiency Letter
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If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 and Jian W. Liu at 602-542-7276.

Very truly yours,

A handwritten signature in black ink, appearing to read "Blessing N. Chukwu", with a long horizontal flourish extending to the right.

Blessing N. Chukwu
Executive Consultant III

BNC

cc: Docket Control
Del Smith
Lyn Farmer
Brian Bozzo
Vicki Wallace