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ARIZONA CORPORATION COMMISSION

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2006 MAY 31 P 2:19

May 31, 2006

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Mr. Richard L. Sallquist
Sallquist, Drummond & O'Connor, P.C.
4500 South Lakeshore Drive, Suite 339
Tempe, Arizona 85282

RE: UTILITY SOURCE, L.L.C. - APPLICATION FOR A RATE INCREASE, DOCKET
NO. WS-04235A-06-0303

LETTER OF DEFICIENCY

Dear Mr. Sallquist:

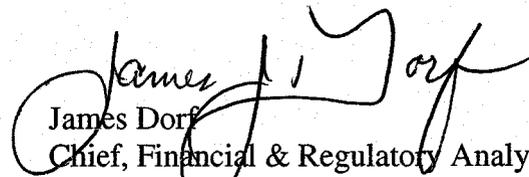
In reference to the rate application filed on behalf of your client and received on May 01, 2006, this letter is to inform you that the application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with the 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 June 15, 2006, to correct the deficiencies or make other arrangements with Staff to remedy the rate application. If the corrections or other arrangements are not made by the above date, Staff will request the 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 Darron W. Carlson. He can be reached at (602) 542-0834, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,


James Dorff
Chief, Financial & Regulatory Analysis Section
Utilities Division

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

ARIZONA CORPORATION COMMISSION
STAFF'S LIST OF ITEMS CAUSING
DEFICIENCY OF THE RATE CASE FILING
MAY 31, 2006

UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-06-0303

1. The cover page of Exhibit A of Application reflects that the exhibit is filed on behalf of the Sewer Division but the Exhibit applies to the Water Division Schedules. Please resubmit a corrected cover page.
2. As per discussion with the Company's consultant, Mr. Bourassa, Staff has not yet received combined Schedules (Water and Sewer) D-1 through D-4 and E-1.
3. Please provide an inventory of major plant in service for both Water and Sewer Divisions.
4. Please provide the amount of water sold and the amount of water pumped, by month, during the test year (2005) including fire hydrants or fire flow.
5. Please provide the sewer flow amounts, by month, for the test year (2005).
6. Various errors detected on Schedule H-3s for Water and Sewer. Certain descriptions and/or wording have been altered from approved tariff. H-3 Schedules must reflect current tariff. Proposed description and/or wording changes must be requested on proposed tariff schedules – not on H-3 Schedules.