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May 8, 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: AVRA WATER CO-OP, INC. – APPLICATION FOR A RATE INCREASE  
DOCKET NO. W-02126A-06-0234

**LETTER OF INSUFFICIENCY**

Dear Mr. Sallquist:

In reference to your rate application received on April 7, 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 May 23, 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,

A handwritten signature in black ink, appearing to read "James Dorf".

James 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

### **Staff's List of Deficiencies**

1. The Company fails to provide its water usage data during the test year. The company should file water usage data per system accordingly. (A blank water usage data form is attached.)
2. The Company indicated that well #1, #2, #6, #7, #8 and #9 had been retired from the Company's plant. According to the Company's 2004 Annual Report ("AR"), there are only eight wells in the system(s). After six wells retired, there are only two wells in service. Can the Company demonstrate that it will have adequate production and storage capacity to serve its existing customers?
3. Based on the Company's 2004 AR, only well #4 meets current arsenic standard (10 ppb). According to the Application, well #5 is in service which exceeds 10 ppb requirement. Since Well #5 has twice higher arsenic than Well #4, the Company must provide its arsenic removal plan along with this application before review can be continued.
4. An off-site hookup fee tariff is attached in the Application; the Company must provide its calculations to support this hookup fee tariff. The previous off-site hookup fees were related to CAP water. Is this continued hookup fee for a new project?
5. Mr. Bourassa states in his testimony that the Company will acquire rights to CAP water in 2007. If so, please provide copies of the plans for the CAP water treatment plant and design report.
6. Please provide a copy of the ADEQ's water quality compliance report.
7. If the Company is in ADEQ's MAP program, a copy of 2006 MAP invoice must be provided.
8. The Company's bill counts from Schedule H-5 do not tie to the metered revenues from Schedule C-1.

