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ARIZONA CORPORATION COMMISSION

2006 NOV 14 P 2:44

November 14, 2006

AZ CORP COMMISSION  
DOCUMENT CONTROL

Mr. Mark Grapp  
President/General Manager  
Cedar Grove Water Inc.  
Post Office Box 1270  
Show Low, Arizona 85902

RE: CEDAR GROVE WATER, INC. - APPLICATION FOR A RATE INCREASE,  
DOCKET NO. W-02597A-06-0308

THIRD LETTER OF DEFICIENCY

Dear Mr. Grapp:

In reference to your rate application received on May 2, 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 your application was deficient on June 1, 2006, and again on July 19, 2006. The Company submitted information in response to both letters. The information submitted did not sufficiently or completely address some of the deficiencies. The continued deficiency is 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 November 28, 2006, to correct the deficiency 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.

Arizona Corporation Commission  
DOCKETED

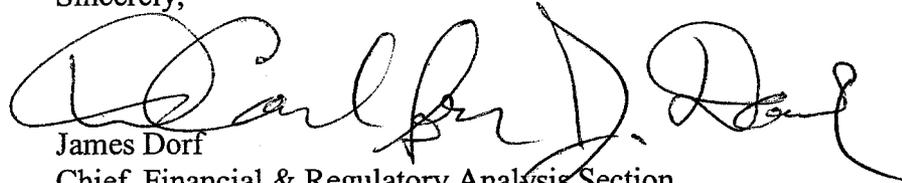
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Mr. Mark Grapp  
Page 2

The Staff person assigned to your application is Jeffrey M. Michlik. He can be reached at (602) 364-2034, 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 D. Dorf", written in a cursive style.

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

**Cedar Grove Water, Inc.**  
**Rate Application**  
**Docket No. W-02597A-06-0308**  
**Test Year Ended December 31, 2005**  
**Third List of Deficiencies**

The specific item that has caused a third finding of deficiency is as follows:

1. Please provide Engineering Staff with the necessary system repair information.