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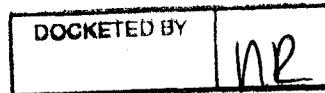
ARIZONA CORPORATION COMMISSION 2007 APR 19 P 4: 48

April 19, 2007
Arizona Corporation Commission
DOCKETED

AZ CORP COMMISSION
DOCUMENT CONTROL

APR 19 2007

Mr. Thomas Grapp
Serviceberry Water Company
P.O. Box 1270
Show Low, AZ 85902



RE: Serviceberry Water Company - Application for Approval of the Sale of Assets and/or Transfer of Certificate of Convenience and Necessity (CC&N) to Vernon Valley Water, Inc. in Docket No. W-02481A-07-0168
INSUFFICIENCY LETTER

Dear Mr. Grapp:

In reference to the above mentioned application filed on March 22, 2007, 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. Failure to comply with prior Commission Decision. According to Utilities Division's Compliance Database, the Company is not in compliance with Commission Decision Nos. 68335, issued in W-02481A-05-0446. Please contact Kim Battista at 602-542-0747 to resolve the Compliance Delinquencies.
- 2.
3. Please provide a list of the assets that Cedar Grove Water Company will be transferring to Cedar Grove Water Company, Inc.
4. Please provide a copy of the Certificate of Good Standing issued by the Arizona Corporation Commission's Corporation Division.
5. Please provide a copy of the transfer of County Franchise from Transferor to Transferee. If the County Franchise has not been issued, please inform Utilities Division Staff ("Staff") of the status of the application for the Approval to Construct.
6. In Item T. of the Application, the Applicant indicated in its response "N/A". Staff is aware that the Transferee has other public utility interest. Please provide the names and addresses of any other public utility interest Transferee has.
7. Based on Water Use Data information reported in the 2005 Annual Report, Staff concludes that this water system lacks adequate storage capacity to serve the existing

Serviceberry Water Company (Docket No. W-02481A-07-0168)
Insufficiency Letter
4/19/2007
Page 2 of 2

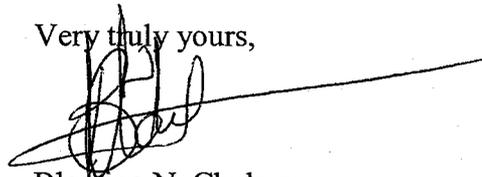
customer base. Please provide a detail description of the Transferor and/or the Transferee plans to address this issue.

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. If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 and Katrin Stukov at 602-542-0941.

Very truly yours,



Blessing N. Chukwu
Executive Consultant III

BNC

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