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ARIZONA CORPORATION COMMISSION

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May 30, 2007 AZ CORP COMMISSION
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Arizona Corporation Commission
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Richard L. Sallquist
Sallquist, Drummond & O'Connor, P.C.
4500 S. Lakeshore Drive, Suite 339
Tempe, AZ 85282

RE: Keaton Development Company – Application for Extension of its Certificate of Convenience and Necessity (CC&N) Docket No. W-02169A-07-0098
INSUFFICIENCY LETTER #2

Dear Mr. Sallquist:

In reference to the above mentioned application filed on February 13, 2007, and the supporting documents filed on April 30, 2007, this letter is to inform you that the application still has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Please provide the requests for service from the property owners in the extension area (specifically Salome Height Subdivision) requesting service from the Company. The request for service that is attached to the Amended Application is not dated and is addressed to Mary Lou Cox from Mary Lou Cox, instead of, from the developer and/or land owner to the water company.
2. Does Dan and Mary Lou Cox own both Sunshine Acres and Salome Height Subdivisions? Please explain.
3. Please provide a map of the requested service territory with an identification of the respective property owners requesting service.
4. How many acres is Salome Height Subdivision?
5. Who will be the wastewater provider for Salome Height Subdivision?
6. Will any artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features be built in Salome Height Subdivision? If so, does the Company plan to use groundwater at the beginning of the project for artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features, and if so, for how long? Please explain in detail.

7. At what point in time does the Company intend to utilize effluent for artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features? Please explain in detail. Please be sure to include the number of houses that would have to be built in order to generate enough effluent for such uses.
8. Staff recently became aware of an Order to Show Cause from the United States Bankruptcy Court. A Chapter 11 hearing was set for April 27, 2007 in Yuma and the debtor was named as Keaton Development Company. Has Keaton Development Company ever filed for bankruptcy? If so, please provide the litigation history and the case disposition.

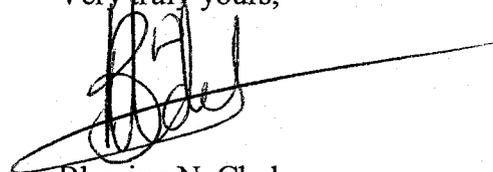
Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), the time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete. 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.

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 or Jian Liu at 602-542-7276.

Very truly yours,



Blessing N. Chukwu
Executive Consultant III

BNC

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