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ARIZONA CORPORATION COMMISSION

May 23, 2007

Arizona Corporation Commission
DOCKETED

MAY 23 2007

CERTIFIED MAIL

Mr. Neil Folkman
Authorized Representative
Cordes Lakes Water Company
2501 East Palo Verde
Phoenix, Arizona 85016

DOCKETED BY	
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RE: **CORDES LAKES WATER COMPANY - APPLICATION FOR RATE INCREASE. DOCKET NO. W-02060A-07-0256**

LETTER OF INSUFFICIENCY

Dear Mr. Folkman:

This letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that the company's applications, received on April 24, 2007, did not meet the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103. Staff has found a number of deficiencies with the applications 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 original and 15 copies of the corrected pages.

You have 15 calendar days, or until June 8, 2007 to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If corrections or other arrangements are not made by that 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 13 copies of an updated application at a later date.

The Staff person assigned to your application is Gary McMurry. He can be reached at (602) 542-2044, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

Elijah Abinah
Assistant Director/Acting Chief Accountant
Regulatory Analysis Section
Utilities Division

EOA:GTM:tdp

CC: Docket Control Center
Vicki Wallace, Consumer Services
Delbert Smith, Engineering
Lyn Farmer, Hearing Division

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AZ CORP COMMISSION
DOCKET CONTROL

Cordes Lakes Water Company

Docket No. W-02060A-07-0256

Application for rate increase

Listed Deficiencies

May 23, 2007

1. The revenue generated by the bill determinants (schedule H-5) does not reconcile to the income statement (schedule E-2).
2. The bill count (Schedule H-5) does not break out billing determinants by meter size as it should.
3. The summary of revenue present and proposed rates (schedule H-1) indicates that the company has no 5/8 x 3/4" meters yet the tariff schedule only authorize rates for 5/8 x 3/4" meters.
4. Shareholder loan received in 2005 was not approved by the Commission.
5. The advances as noted on the balance sheet (schedule E-1) are neither shown on the Summary of Original Cost Rate Base (B-1) nor the Statement of Rate Base (schedule 3). Advances should be shown on all three schedules.
6. The adjusted rate base as per schedule A-1 (\$583) does not agree with either schedule 3 or B-1, both of which show a rate base of \$583,095, as it should.
7. The required rate of return on schedule A-1 (5.3%) does reconcile with the mathematical calculation of required operating income/rate base.
8. Schedule A-2 does not foot properly. The calculation of operating income and net income for both the projected year at present rates and the projected year at proposed rates are in error.
9. Deductions and expenses as per schedule A-2 (\$648,297) is not in agreement with total expenses on Schedule E-2 total expenses (\$669,420). Either these amounts should be in agreement or reconciliation should be provided.
10. Schedule A-2 does not contain the results of operations for the two fiscal years ended prior to the test year as required for comparison purposes.
11. Interest expense for the test year ended December 31, 2006, as per schedule A-2 (\$3,514) is not in agreement with interest expense on the income statement schedule E-2 (\$549). These amounts should be in agreement.
12. The service charges for (1) bad checks and (2) deposit interest as shown on the Summary of Revenue Present and Proposed Rates (schedule H-1) do not agree with the Company's filed (authorized) tariff.
13. Application does not contain most recent lab analyses for the arsenic levels for each well.

Cordes Lakes Water Company

Docket No. W-02060A-07-0256

Application for rate increase

Listed Deficiencies

May 23, 2007

14. Application does not provide a breakdown for water testing expenses for the Cordes Lakes water system during the test year.
 - a). State what is the water testing cost (per each test) and number of test per year for lead & copper, bacteriological and nitrate for the water system.
 - b). Provide invoices related to testing for above referenced water system.
15. If the water system has chlorination treatment, does this treatment system chlorinate continuously?
16. Application does not contain a copy of the ADEQ Compliance Report.