

ORIGINAL



0000074136

COMMISSIONERS
MIKE GLEASON - Chairman
KRISTIN K MAYES
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
GARY PIERCE



RECEIVED

060

ARIZONA CORPORATION COMMISSION

2007 JUN 20 P 2:32

June 20, 2007

AZ CORP COMMISSION
DOCKET CONTROL

CERTIFIED MAIL

Arizona Corporation Commission
DOCKETED

JUN 20 2007

Mr. Jim West
Authorized Representative
West & Company, LLC.
365 East Coronado Road, Suite 200
Phoenix, Arizona 85004

DOCKETED BY	<i>nr</i>
-------------	-----------

RE: DELLS WATER COMPANY, INC - APPLICATION FOR RATE INCREASE.
DOCKET NO. W-01384A-07-0314

LETTER OF DEFICIENCY

Dear Mr. West:

This letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that the Company's application, received on May 21, 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 rate 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 original and 15 copies of the corrected pages.

You have 15 calendar days, or until July 5, 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 15 copies of an updated application at a later date.

Mr. Jim West
June 20, 2007
Page 2

The staff person assigned to your application is Freddie Malapit. He can be reached at (602) 364-0734, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Elijah Abinah". The signature is written in a cursive style with a horizontal line through the middle of the letters.

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

FBM:tdp

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

Wilhoit Water Company, Inc. / Dells Water Company
Rate Application
Docket No. W-01384A-07-0314
Test Year Ended December 31, 2006
List of Deficiencies

The specific items that have caused a finding of deficiency are as follows:

- Item numbers one through ten are common to each of Wilhoit Water Company's three water systems and the Dells Water Company.
- Item numbers eleven through twenty nine relate specifically to the Dells Water Company water system.

Overall Compliance Issues

1. Per examination of a notice of legal action dated September 14, 1993, as filed by the Legal Division of the Arizona Corporation Commission ("Commission"). There are several compliance items unresolved that arose from Decision No. 58102 (December 9th, 1992). Please indicate if the Company has complied with the following items listed below. If the Company has complied, please send us supporting documentation, if the Company has not complied, state the reasons for the noncompliance.
 - a. Wilhoit Water Company, Inc. shall file copies with the Director of the Utilities Division of "paid-in-full" tax statements for current property tax payments within 90 days of the tax statement due date (Due 2/1/93).
 - b. Wilhoit Water Company, Inc. shall make arrangements with the appropriate taxing authorities to repay all accrued property tax and associated interest and to provide a written summary to the Director of the Utilities Division of the details of such arrangements/agreements (Due 6/9/93).
 - c. Wilhoit Water Company, Inc. shall file an application with the Commission within six months of the date of this Decision (12/9/92) requesting approval of the sale of the Willow Lakes system and deletion of the corresponding Certificate of Convenience and Necessity ("CC&N") area (Due 6/9/93).
2. Per examination of a memo dated September 13, 2006, as filed by Linda Jaress, Executive Consultant III in the Utilities Division of the Commission. The docket is still open and will remain so until further action by the Commission.

The memo contained a brief history and is summarized as follows: On July 16, 2003, Wilhoit Water Company filed an application for approval of the sale of a portion of its assets used to serve the Glen Arm Farms water system to the City of Avondale and to cancel that portion of its CC&N. After a hearing, a recommended opinion and order was issued on January 7, 2004, which recommended approval of the sale and cancellation of a portion of the CC&N subject to several conditions. The Company requested that the item be pulled from the open meeting. On June 7, 2004, attorney David Ronald, on behalf of

Wilhoit Water Company, Inc. / Dells Water Company
Rate Application
Docket No. W-01384A-07-0314
Test Year Ended December 31, 2006
List of Deficiencies

the Commission's Legal Division, sent a letter to Mr. Douglas Martin who represented the Company, but never received a response.

According to the memo "Wilhoit is still the company of record for this area on the Commission's maps and in its files. In order to proceed with removing the case from the Commission's pending cases and to make appropriate changes to the Commission's maps and records, please provide Staff the following information so Staff can proceed with the necessary steps to resolve this docket." The following questions still remain unanswered from the memo. Please provide responses to these questions.

- a. Has the transaction been consummated? If so, on what date?
 - b. Please provide a copy of the executed sales agreement.
 - c. What are the parties intentions regarding the Proposed Order and the Commission's review and vote on this matter?
 - d. What is the status of the property tax delinquencies of Wilhoit Water Company relative to the area transferred to Avondale?
3. Please file your 2006 annual report with the Utilities Division of the Arizona Corporation Commission and confirm.
 4. Please address how the Company has corrected the deficiency items noted in the letter dated March 20, 2007, from the Arizona Department of Revenue that the Company is **not** in good standing.
 5. In regards to invoices submitted, please separate and specify each invoice by water system (i.e., Dells Water Company System, Yavapai Mobile Home Estates, and Blue Hills). In addition, for each water system please segregate each invoice by the category of expenses (e.g. purchased water, purchased power, repairs, etc.). Please do this for the Dells Water Company also.
 6. Please ensure that all appropriate boxes are checked on page 1 of the application.
 7. Please provide Staff with arsenic levels for each individual well broken-out by the three Wilhoit water systems and the Dells Water Company.
 8. Please provide the ADEQ Monitoring Assistance Program invoice for each of the three Wilhoit water systems and the Dells Water Company.
 9. Please explain the relationship between Glenarm Land Co., the Wilhoit water systems, and the Dell Water system and any other company that is affiliated with the water companies. Please include an organizational chart.

Wilhoit Water Company, Inc. / Dells Water Company
Rate Application
Docket No. W-01384A-07-0314
Test Year Ended December 31, 2006
List of Deficiencies

10. Please provide copies of your last three income tax returns for the Wilhoit and Dells Water Companies.

Dells Water Company Deficiency Items

11. Bill Count--Bill count does not sufficiently produce test year revenues. Reconcile the amount of difference in amount billed and total metered amount using the Commission's present rate schedule. Additionally, please send a revised copy of the bill count and provide a breakdown of each bill over 100,000 gallons. See page 26, Bill Count Instructions.
12. Arizona Department of Revenue certificate is NOT included with application.
13. Most recent ADEQ annual sampling fee invoice for Monitoring Assistance Program is not filled with application.
14. Invoices for each plant asset purchase in excess of \$150 for the test year, as well as all of the intervening years, are not filed with application. If NONE, please provide confirmation.
15. Plant additions and retirements schedule by year not filled out. Provide confirmation if there's no addition or retirements.
16. Submit rent invoices for the test year to substantiate rent expense of \$2400. No invoices submitted.
17. Provide invoices for Acct 620—Repairs and Maintenance.
18. Provide additional invoices for Purchased Power. Submitted invoices do not support total expenses claimed in test year.
19. Provide additional invoices for Miscellaneous Expenses. Submitted invoices do not support total expenses claimed in test year.
20. Provide additional invoices for Water Testing. Submitted invoices do not support total expenses claimed in test year.
21. Reconcile Balance Sheet to ensure total assets equals with liabilities and equity.
22. Provide explanation of Acct 146—Notes/Receivables from Associated Companies with a balance in the amount of \$11,921 at the end of the test year.

Wilhoit Water Company, Inc. / Dells Water Company
Rate Application
Docket No. W-01384A-07-0314
Test Year Ended December 31, 2006
List of Deficiencies

23. Advances in Aid of Construction (“AIAC”) and Contributions in Aid of Construction (“CIAC”) Schedules—Confirm that there are no additions or refunds since the company existed.
24. On page 5 of application, Affiliate Relationship, under assets owned jointly with any affiliated or subsidiary entities is marked NO. Please mark the appropriate box and provide explanation as instructed in the application.
25. On page 7 of application regarding stockholders and number of shares owned, provide an update of current company ownership and number of shares owned.
26. On page 18 of application, there is no amount of gallons pumped. Please fill in the amount of gallons pumped by Dells Water Company’s wells.
27. Please reconcile the inconsistencies on the number of metered customers. On page 6 of application, there are 74 metered customers; but on page 17, only 67 meters are listed by the Company.

The following needs to be filed before a decision will be issued.

28. File a curtailment tariff.
29. Send a new affidavit certifying that customers were notified of the much higher rate increase of 57 %.