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ARIZONA CORPORATION COMMISSION

June 20, 2007
Arizona Corporation Commission

DOCKETED

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 2007 JUN 20 P 1:25
 AZ CORP COMMISSION
 DOCKET CONTROL

Mr. Jim West
Authorized Representative
West & Company, LLC.
365 E. Coronado Rd, Ste 200
Phoenix, AZ 85004

RE: WILHOIT WATER COMPANY (BLUE HILLS #3) – APPLICATION FOR A RATE INCREASE, DOCKET NO. W-02065A-07-0313

LETTER OF DEFICIENCY

Dear Mr. West:

In reference to your rate application received on May 21, 2007, this letter (per section R14-2-103.B.7 of the Arizona Administrative Code) 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 several deficiencies with your 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 an original and fifteen 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 the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

The Staff person assigned to your application is Darak R. Eaddy. He can be reached at (602) 542-0855, 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.

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

CC: Docket Control Center (fifteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

Wilhoit Water Company, Inc. – Blue Hills #3
Rate Application
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Test Year Ended December 31, 2006
List of Deficiencies

The specific items that have caused a finding of deficiency for the rate application are as follows:

- Items number one through ten are common to each of the Company's four water systems.
- Item number eleven and above relate specifically to the Blue Hills #3 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 is several compliance items unresolved that arose 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 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 Certificate of Convenience and Necessity. After a hearing, an 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

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David Ronald, on behalf of 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:

- 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 intention 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?
- e. What was the treatment of any outstanding customer advances or deposits? What obligations, if any, were assumed by the acquirer?

Please provide responses to these same questions, as were stated in the September 13, 2006 memo.

3. Please file your 2006 annual report with the Utilities Division of the Arizona Corporation Commission.
4. Please address how the Company have corrected the deficiency items noted in the letter dated 3/20/07 from the Arizona Department of Revenue that the Company is **not** in good standing.
5. In regards to invoices submitted, please clearly separate and specify each invoice first by water system (i.e. Thunderbird Meadows System, Yavapai Mobile Home Estates, and Blue Hills) and secondly by the category of expenses (i.e. purchased water, purchased power, repairs, etc.). Please do this for the Dells Water Company also.
6. Please ensure 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.

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8. Please provide the Arizona Department of Environmental Quality Monitoring Assistance Program invoice for each of the three Wilhoit water systems and the Dells Water Company.
9. Please explain the relationship with Glen Arm 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.
10. Please provide copies of your last three income tax returns for the Wilhoit and Dells Water Companies.

Blue Hills #3 Specific Deficiency Items

11. The number of meters served on page 6 does not match the number of customer meters on page 17 of the application package; please reconcile.
12. The bill counts do not produce the revenue of \$ 15,243 as indicated on page 19 of the application. Please correct.
13. Please provide a summary of Salaries and Wages expense by name, position, salary, and duties.
14. Please provide a completed balance sheet schedule for only the Blue Hills #3 system.
15. Please provide a Calculation of Depreciation Expense for the Blue Hills #3 system.
16. Please provide invoices for Purchased Power for the Blue Hills #3 system.
17. Please provide invoices for Repairs and Maintenance in excess of \$150 incurred during the test year for the Blue Hills #3 system.
18. Please provide invoices for Outside Services in excess of \$150 incurred during the test year for the Blue Hills #3 system.
19. Please provide invoices for Water Testing for the Blue Hills #3 system.
20. There was no Plant Additions and Retirements by Year schedule that follows the instructions on page 12 of the rate application. The Plant Additions and Retirements by Year schedule that was included in the rate application has not been properly completed.

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21. There were no invoices for each plant asset purchase in excess of \$150 for the test year, as well as all of the intervening years since the prior test year.
22. Please provide a Plant Summary schedule with total additions and total retirements.

Additional item to be addressed before sufficiency can be determined

Please submit to Docket Control a notarized statement certifying that the customer notification with the corrected revenue increase percentage of 106 percent has been sent to the Company's customers.