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ARIZONA CORPORATION COMMISSION

2007 JUN 21 P 1:16

June 20, 2007 AZ CORP COMMISSION
DOCKET CONTROL

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

RE: WILHOIT WATER COMPANY (THUNDERBIRD MEADOWS) - APPLICATION FOR RATE INCREASE AND FINANCINGS DOCKET NO. W-02065A-07-0312

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.

The staff person assigned to your application is Jeffrey M. Michlik. He can be reached at (602) 364-2034, 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

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

Arizona Corporation Commission
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Wilhoit Water Company, Inc. (Thunderbird Meadows)
Rate and Financing Application
Docket No. W-02065A-07-0312
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 relate specifically to the Thunderbird Meadows 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 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

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conditions. The Company requested that the item be pulled from the open meeting. On June 7, 2004, attorney 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. 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., Thunderbird Meadows 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.

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

Thunderbird Meadows Deficiency Items

11. Please reconcile the difference between the 128 metered customers as presented on page 6 of the application to the 94 metered customers as presented on page 17 of the application.

Further, please indicate the pipe material.

Further, please list any treatment equipment (such as chlorination treatment) and/or structures (such as buildings).

12. On page 16, of the application you provided water company plant description for Yavapai Mobile Home Estates, please provide the water company plant description information for Thunderbird Meadows, or indicate whether this is a mistake and this is the actual water company plant information for Thunderbird Meadow.

Further, please provide a narrative history of when the wells were drilled and if the wells are still in operation.

Further, please provide Arizona Department of Water Resources ("ADWR") ID Numbers for each well.

13. On page 18, there are no gallons pumped. Please provide this data each month during the test year.

Further if the water pumped data is not available for 2006, please provide water use data (including water pumped data) for any months (in 2007) for which complete data is available.

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14. On page 19 of the application you provided, please confirm that there were no property taxes paid for the test year and prior year for the Thunderbird Meadows system.
15. Regarding water testing expenses Page 19 (Acct. 635 - \$2,272):
 - a. Please provide unit cost breakdown for Water Testing Expenses for the Thunderbird Meadows water system during the test year.
 - b. What is the cost of the required lead and copper test per sample?
 - c. Provide invoices for lead and copper monitoring.
 - d. Is the ADEQ annual sampling fee for its Monitoring Assistance Program (MAP) included in the \$2,272 amount?
 - e. Indicate if the system is chlorinated. If so provide the testing expense for the D/DBP testing and the associated invoices.
16. Provide the gallons purchased each month during the test year (January through December 2006) from Walden Meadows Community Co-Op.
17. On page 21 of the application, you provided a consolidated balance sheet that includes all Wilhoit water systems; in addition the balance sheet does not balance. Please provide a separate balance sheet for just the Thunderbird Meadows system and that balances. In addition, ensure that the balance at the end of the test year column for the Thunderbird Meadows system is completed.
18. On page 23 of the application, you state that you have no loans, but you are requesting a retroactive financing for a well that was drilled by your parent company. Please fill-in the loan information for the well that has already been drilled.
19. Also, in regards to the Company's plan involving property taxes, the amount for Yavapai Mobile Home Estates (1) Parcel Number 929-95-120 does not reconcile to the County's amount. Please reconcile the difference.
20. The application does not include an agreed upon delinquent tax payment plan with the Yavapai County Treasurer. Have you submitted your property tax proposal to the Treasurer's Office? If yes, please provide the Treasurer's response. If no, then please explain why it hasn't been submitted.