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ARIZONA CORPORATION COMMISSION

2007 JUL 30 P 3: 18

Arizona Corporation Commission
DOCKETED

AZ CORP COMMISSION July 30, 2007
DOCKET CONTROL

JUL 30 2007

Ms. Bonnie O'Connor
Southwestern Utility Management, Inc.
PO Box 85160
Tucson, Arizona 85754

DOCKETED
ML

RE: RANCHO DEL CONEJO COMMUNITY WATER CO-OP, INC. APPLICATION FOR A
RATE INCREASE, DOCKET NO. W-02102B-07-0273

SECOND LETTER OF INSUFFICIENCY

Dear Ms. O'Connor:

In reference to your rate application received on May 4, 2007, this letter is to inform you that your application has not met the sufficiency requirements, for a second time, as outlined in Arizona Administrative Code R14-2-103.

Staff found that your application was originally insufficient on May 25, 2007. The Company submitted information in response to that letter on July 11, 2007. The information submitted did not completely address some of the deficiencies. The continued deficiencies 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 sixteen copies of the corrected pages.

You have 15 calendar days, or until August 10, 2007, to correct the deficiency or make other arrangements with Staff to remedy your rate application.

The Staff person assigned to your application is Freddie Malapit. He can be reached at (602) 542-0734, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

Elijah Abinah
Acting Chief, Financial & Regulatory Analysis Section
Utilities Division

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

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

1. The Commission has not received the requested arsenic removal treatment system design report. The compact disc sent to the Commission in response to the insufficiency letter did not contain the design report. Please forward a copy of the arsenic removal treatment design report.
2. There were Advances in Aid of Construction in the years 1995, 1996, 1997, and 2004 but there were no corresponding Plant in Service additions. Also, the balance remaining at the end of ten-year period shall become non-refundable, but were not transferred to the Contributions in Aid of Construction ("CIAC") account. Please reconcile.
3. The CIAC schedule submitted should include the \$275,000 USDA Rural Development grant taken in 2000 not \$207,903. On the CIAC ledger, it shows the \$275,000 grant, however, the amount carried over to the schedule was only \$207,903. Incidentally, the difference of \$67,097 is the beginning balance from the prior rate case. Explain why the grant was reduced by the prior rate case amount balance. Reconcile and resubmit a corrected CIAC schedule and amortization schedule.
4. Resubmit copies of depreciation schedule of plant in service revised by Staff from the prior rate case Decision using the five percent composite depreciation schedule as applied from the prior rate case Decision.
5. The Commission's application instructions require invoice(s) for each plant asset purchased in excess of \$150 for the test year, as well as all of the intervening years since the utility's prior test year. Please submit missing invoices, not check registers, for all plant assets there were added in the years 1995, 1996, 1997 and 1998.

The following items are not considered deficiency issues; however, they need to be answered for Staff to complete its audit:

1. Submit bill of sale for transportation equipment purchased in 1999. If none, please explain.
2. Submit invoice(s) for \$1665 in tools and equipment purchased in 2000. If none, please explain.
3. Submit invoice(s) for structures and improvements added in 2003.
4. Provide an estimated cost to the Co-op from Southwestern Utility Management for processing the rate application.
5. There were invoices for removal and/or addition(s) to Account 311, pumping equipment, but there were no retirements noted. Please reconcile.

6. Submit invoices for miscellaneous expenses. None submitted.
7. Submit additional invoice(s) for Insurance-General Liability paid in 2005. Amount claimed for test year expense is not supported by submitted invoice.
8. Explain why Orville (outside services) is using his own vehicle for water testing expenses when the Co-op has its own vehicle?
9. Explain why the Customer Receivables increased from 2005 to 2006 from \$15,565 to \$27,042, respectively. Do you expect to collect these receivables?
10. Explain the Co-op's relationship with the Mr. David Williams. Did the Co-op find competing bids to the work done by Mr. Williams?
11. Some of the account amounts in the submitted balance sheet in the financing application schedule and rate case application are not the same. Both balance sheets should be identical. Please reconcile the differences and submit the corrected copy.
12. Some of the amounts in the submitted comparative income statements in the financing application and rate case application are not the same. Both income statements should be identical. Please reconcile the differences and submit the corrected copy.