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2007 AUG -3 P 12: 03

AZ CORP COMMISSION  
DOCKET CONTROL

August 3, 2007

CERTIFIED MAIL

Arizona Corporation Commission  
DOCKETED

AUG 03 2007

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

DOCKETED BY [NR]

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

**SECOND LETTER OF DEFICIENCY**

Dear Mr. West:

In reference to your rate application received on May 21, 2007, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff found that your application was deficient on June 20, 2007. The Company submitted information in response to that letter. The information submitted did not sufficiently or 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 16 copies of the corrected pages.

You have 15 calendar days, or until August 20, 2007, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application.

Mr. Jim West  
August 3, 2007  
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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. In the event that you can not reach Mr. Eaddy, please feel free to contact his Manager, Darron W. Carlson at (602) 542-0834.

Sincerely,



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

EOA:DRE:tdp

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

**WILHOIT WATER COMPANY, INC. – BLUE HILLS #3  
RATE APPLICATION  
DOCKET NO. W-02065A-07-0313  
TEST YEAR ENDED DECEMBER 31, 2006  
SECOND LIST OF DEFICIENCIES**

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

- Item numbers one through five are common to each of Wilhoit Water Company's three water systems and the Dells Water Company.
- Item number six and above relate specifically to the Blue Hills #3 water system.

**Overall Compliance Issues**

1. A compliance requirement that arose from Decision No. 58102 dated December 9<sup>th</sup>, 1992, was that Wilhoit Water Company was to make arrangements with the appropriate taxing authorities to repay all accrued property tax and associated interest. The Company needs to make arrangements with the Yavapai County Treasurer's Office and agree to a payment plan to remedy the issue of back taxes. If the Company does not make arrangements with the Yavapai County Treasurer's Office, Staff will recommend that the Company's new rates not go into effect until this condition has been met.
2. Please provide documentation that the Company is now in good standing with the Arizona Department of Revenue.
3. In regards to invoices submitted, please separate and specify each invoice first by water system (i.e. TBIRD, YMHE, BH, DELLS), and secondly by category of expenses (e.g. purchased power, repairs, etc.). As suggested in the July 23<sup>rd</sup> meeting with Staff it would be helpful to provide Staff with a lead schedule of supporting documentation (i.e. invoices) for each expense category.
4. Using the allocation method you have developed, please allocate unidentified expenses accordingly.
5. Please file the correct version of the Company's 2006 annual report with the Utilities Division of the Arizona Corporation Commission.

**Blue Hills #3 Deficiency Items**

6. Please provide a separate balance sheet for just the Blue Hills #3 system that balances. In addition, ensure that the balance at the end of the test year column for the Blue Hills #3 system is completed.

**WILHOIT WATER COMPANY, INC. – BLUE HILLS #3**  
**RATE APPLICATION**  
**DOCKET NO. W-02065A-07-0313**  
**TEST YEAR ENDED DECEMBER 31, 2006**  
**SECOND LIST OF DEFICIENCIES**

7. The bill counts do not produce the submitted revenue of \$ 14,649 as indicated on page 19 of the application. Staff has generated revenues of \$17,458 using the bill counts submitted. In order to meet sufficiency the Company needs to change its submitted revenues to match this figure.
8. Please provide a summary of Salaries and Wages expense by name, position, salary, and duties. The supporting documentation with the original filing did not include any duties for the listed employees.
9. Please provide Staff with any revisions of the application, that were a result of correcting the deficiency items listed above (i.e. page 19 Comparative Income Statement, page 21 Balance Sheet).