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ARIZONA CORPORATION COMMISSION

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. (Yavapai Mobile Home Estates) -
APPLICATION FOR A RATE INCREASE, DOCKET NO. W-02065A-07-0311

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.

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Mr. Jim West
August 3, 2007
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The staff person assigned to your application is Gary T McMurry. He can be reached at (602) 542-2044, or toll free at (800) 222-7000, if you have any questions or concerns. In the event that you can not reach Mr. McMurry, 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:GTM:tdp

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

**WILHOIT WATER COMPANY
YAVAPAI MOBILE HOME ESTATES
DOCKET NO. W-02065A-07-0311
REMAINING DEFICIENCY ITEMS**

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

- Item numbers one through five are common to each of the Wilhoit Water Company's three water systems and Dells Water Company.
- Item numbers six through are unique to the Yavapai Mobile Home Estates.

Overall Compliance Issues

1. Delinquent Property Taxes – Company was ordered by Commission Decision No. 58102 to bring delinquent taxes current as a result of the 1992 rate case. Company needs to make arrangements with the Yavapai County Treasurer's Office and agree to a payment plan to remedy the issue of the back taxes. The Company is advised that any potential rate increase will be held in abeyance until a tax repayment plan is approved.
2. Certificate of Good Standing – Please provide documentation that the Company is now in good standing with the Arizona Department of Revenue.
3. Unallocated invoices – Company was ordered in Commission Decision No. 57237 to separate out revenues and expenses for each of its systems. The Company was requested to segregate certain invoices provided first by water system, and secondly by expense category. The Company response was to provide a number of invoices, for which it did not allocate between water systems (unallocated invoices). The Company is requested to devise a methodology to charge these invoices to the various systems to the best of its knowledge and ability. Company has also agreed to provide a lead schedule for each expense category, in addition to supporting documentation (e.g. invoices).
4. Allocation Methodology – The Company is requested to identify the methodology it uses to charge income and expenses to the individual water system's income statement as presented in the rate case.
5. 2006 Annual Report – Two different versions of the 2006 annual report have been produced to date. The Company needs to file the correct version of the Company's 2006 annual report with the Commission.

Yavapai Mobile Home Estates

6. Rate Base – Company was requested to provide separate balance sheets and income statements by water system. The Company provided a consolidated balance sheet. Commission Decision No. 57237 required it to provide separate **rate bases** for each system.

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7. Plant Additions – The Company was requested to provide invoices by water systems and then by category. Company did not provide any invoices for plant additions greater than \$150. There were plant additions in 1997, 2005, and 2006 which appear to exceed the \$150 parameter.
8. Purchased Power – Company's supplied invoices do not reconcile to the income statement amount.
9. Outside Services – The Company was requested to provide outside services invoices greater than \$150 segregated first by water system and then by expense category. Company did not provide any outside services invoices.
10. Bill Count – The revenue generated by the billing determinants (e.g. the bill count) is not reconciled to the Company's revised revenue figure (\$40,158).