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ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

April 17, 2008

CERTIFIED MAIL

Mr. Jeffrey T. Daniels
Authorized Representative
Utility Systems, LLC dba Gardner Water Company
HC2 Box 164-H
Payson, Arizona 85541

RE: UTILITY SYSTEMS, L.L.C. dba GARDNER WATER COMPANY – APPLICATION
FOR A RATE INCREASE, DOCKET NO. W-20459A-08-0167

LETTER OF DEFICIENCY

Dear Mr. Daniels:

In reference to your rate application received on March 21, 2008, 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 May 2, 2008, 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.

Arizona Corporation Commission
DOCKETED

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Mr. Jeffrey T. Daniels
April 17, 2008
Page 2

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,



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

EOA:DRE:tdp

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

Utility Systems LLC dba Gardner Water Company
Rate Application
Docket No. W-20459A-08-0167
Test Year Ended December 31, 2007
List of Deficiencies

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

1. The bill counts do not produce the revenue of \$ 29,068 as indicated on page 19 of the application. Please correct.
2. 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.
3. Plant Additions and Retirements by Year schedule on page 13, only includes year 2007. Staff also requires Plant Additions and Retirement numbers for the years 2003, 2004, 2005, and 2006.
4. Comparative Statement of Income and Expense schedule on page 19 does not include prior year data. Staff also requires the year prior to test year data for this schedule.
5. Please provide invoices for each plant asset purchase in excess of \$150 incurred during the test year for the Gardner Water Company. One of the invoices that were submitted was unreadable.
6. Please provide a breakdown by name, position, salary, and duties for Account 601 Salaries and Wages Expense. The Company submitted name and salary data with the application but did not include position and duties.
7. Referring to page 11 of the application, the Company's proposed charges for Service line and Meter Installation (which are refundable advances), are not within Staff's current customary range of charges found on the Commission's website at www.azcc.gov/divisions/utilities/forms.asp
 - a. Please revise installation charges accordingly or explain and provide supporting documentation to justify the proposed charges.
 - b. Road cuts cost, if crossing is required, would be determined on case-by-case basis and should not be included in the proposed charges.
 - c. Provide an itemized cost breakdown of the proposed charges with separate charges for service line and meter including:
 - Material costs
 - Installation costs
8. Please state (estimated) number of seasonal and year-round customers.

Utility Systems LLC dba Gardner Water Company
Rate Application
Docket No. W-20459A-08-0167
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In addition to the above items, the below items are not sufficiency issues. However these are issues and/or questions that will need to be address before the final processing of the application. Staff is including these to give the Company additional time and flexibility in addressing these issues.

- Please provide a copy of the Company's general ledger for the test year. The General Ledger should be by account, by month, for the 2007 test year. This may be provided in an electronic medium using a Microsoft Excel format. Please include any codes and descriptions that will clearly explain accounts and entries in the general ledger.
- Please provide a copy of all the work papers created/utilized to develop the application, and any updates or revisions throughout the rate case process.
- Please describe all abnormal or non-recurring events during the test year that are known to have materially impacted revenues, expenses or rate base.
- Please provide an explanation along with supporting documentation to justify the proposed increase for the following service charges:
 - a. Establishment
 - b. Reconnection (delinquent) after hours
 - c. Meter Test
 - d. NSF Check
 - e. Deferred Payment
 - f. Meter Re-read
 - g. Late Fee
- Please provide the number of times during the test year that the Company billed customers for the service charges listed above.