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ARIZONA CORPORATION COMMISSION

2008 MAR -7 P 4: 15

ORIGINAL

March 7, 2008

AZ CORP COMMISSION  
DOCKET CONTROL

**CERTIFIED MAIL**

Mr. Rodney C. Wilson, CPA  
Authorized Representative for  
Bellemont Water Company  
2200 E. Cedar Avenue, Suite No. 13  
Flagstaff, Arizona 860004

Arizona Corporation Commission  
**DOCKETED**

MAR -7 2008

DOCKETED BY	nr
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RE: BELLEMONT WATER CO. - APPLICATION FOR A RATE INCREASE  
DOCKET NO. W-02526A-08-0078

LETTER OF INSUFFICIENCY

Dear Mr. Wilson:

This letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that your application, received on February 8, 2008; did not meet the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103. Staff has found a number of deficiencies with the 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 the original and 15 copies of the corrected pages.

You have 15 calendar days, or until March 24, 2008, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. As you recall, in Decision No. 69673, the Commission granted Bellemont Water Company interim rates contingent upon several conditions, one of which was the filing of this rate application. In the event the company does not complete this rate application, the Company will be deemed non-compliant with the terms upon which interim rates were granted and those rates will be immediately withdrawn. Further, the Commission may require a refund to customers of any unauthorized revenues resulting from imposition of these interim rates.

Staff is processing this application as diligently as possible, but certain documentation is essential to this process. And as you are aware, it is the company's responsibility to produce the necessary documentation in support of this application.

Mr. Rodney C. Wilson, CPA  
March 7, 2008  
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Docket Control will retain one copy of the original application for Commission records. You may file one original and 15 copies of an updated application at a later date.

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.

Sincerely,



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

EOA:GTM:tdp

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

**ARIZONA CORPORATION COMMISSION**  
**DEFICIENCY SCHEDULE**  
**BELLEMONT WATER COMPANY**  
**W-02526A-08-0078**  
**MARCH 7, 2008**

1. The bill count does not reconcile to the application's test year revenues (\$25,921) as it should.
2. The application does not include invoices for plant additions for water treatment equipment (2002 - \$2000) or wells and springs (2004 - \$3,900) as noted on page one of the application, item number four.
3. The application does not include a breakdown of employees by name, position, salary, and duties as described on page one of the application, item number five.
4. On page 6 of the application, the Company's proposed total operating revenues, if the company is granted an increase, is listed as \$19,913. This amount does not reconcile with the mathematical computation of adding test year operating revenue (\$25,921) with the \$36,361 projected increase, which totals \$62,282. Please reconcile this apparent discrepancy.
5. On page 9 A of the application, the charges for the standpipe are shown under the minimum service charges category. It would appear that these charges should be commodity charges section that goes in the block at the lower part of the page.
6. On page 11 of the application, the deferred payment charge should be 1.5%, not zero.
7. On page 11 of the application, the meter Re-read fee should be \$15.00, not zero.
8. On page 11 of the application, the late fee should be zero, not 1.5%.
9. On page 14 of the application, the "Plant in Service per Prior Decision" balances as shown in column A are incorrect. Total plant in service as per ACC Decision No. 65853 should be \$241,397, not \$358,382. It appears that the Company did not book any of the eight rate base adjustments recommended by Staff during the 2001 rate case.
10. On page 20 of the application, the ACC approved depreciation percentage for distribution reservoirs should be 2.22%, not 5.0%.
11. Accumulated depreciation per the plant in service computation on page 15 totals \$230,150. Accumulated depreciation per the financial statements on page 21 totals \$128,983. Please reconcile.
12. On page 21 of the application, the total fixed assets (\$230,150) does not reconcile to OCLD total water plant figure on page 15 of \$128,933. Please reconcile.