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ARIZONA CORPORATION COMMISSION

ORIGINAL

August 14, 2008

CERTIFIED MAIL

Ms. Patricia D. Olsen, Manager
Montezuma Rimrock Water Company, LLC
Post Office Box 10
Rimrock, Arizona 86335

RE: MONTEZUMA RIMROCK WATER COMPANY, LLC – APPLICATION FOR A
RATE INCREASE, DOCKET NO. W-04254A-08-0361

LETTER OF DEFICIENCY

Dear Ms. Olsen:

In reference to your rate application received on July 16, 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 August 29, 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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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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Ms. Patricia D. Olsen
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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.

Sincerely,



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

EA:DRE:kdh

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

Montezuma Rimrock Water Company, LLC
Rate Application
Docket No. W-04254A-08-0361
Test Year Ended December 31, 2007
List of Deficiencies

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

1. In the Company's application, it listed ¾" and 1" metered customers but failed to supply any bill count for these customers. Please submit the bill counts for these metered customers.
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. On the Current and Proposed Rates and Charges on page 9, the Company failed to list both the current and proposed minimum charges. Please correct.
4. On the Current and Proposed Service Charges on page 11, the Company failed to list both the current and proposed service line and meter installation charges. The Company also failed to list the current and proposed service charges on page 11. Please correct.
5. Plant Additions and Retirements by Year schedule on page 13, only includes years 2006 and 2007. Staff also requires Plant Additions and Retirement numbers for the years since the last test year in 2000.

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.
- For attachment D of the Company's application, please indicate on the invoices the plant in service account to which the invoice relates.

Montezuma Rimrock Water Company, LLC

Rate Application

Docket No. W-04254A-08-0361

Test Year Ended December 31, 2007

List of Deficiencies

- Due to some of the invoices being difficult to read, could the Company please provide a summary sheet of the individual transactions by account for plant additions. For example, for the Meters account in any particular year the summary would show all transactions for the Meter account for that year by date and amount.
- Please provide a detailed summary of the Contribution in Aid of Construction ("CIAC") account since the last rate case. The summary should include the amount of the each CIAC, the plant-in-service accounts to which each CIAC is applied, the amortization rate applied to each CIAC, the accumulated amortization of CIAC at test-year end, and how the Company determined the CIAC amortization rate it applied.
- Please provide a detailed summary of the Advances in Aid of Construction ("Advances") account since the last rate case. The summary should include the amount of each advance, the plant-in-service accounts to which each advance is applied, and total refunds annually for each advance.
- Please provide the annual expense for Account 601 Salaries and Wages for the last five years.
- Please provide the annual expense for Account 630 Outside Services for the last five years.
- Please provide the annual expense for Account 641 Rent Expense for the last five years.
- Please provide a summary and/or invoices for the account 408 Taxes Other than Income for the test year.
- Please provide the addresses of all locations used by the Company to conduct business and provide service. Please give a brief description of what Company business or service is provided at each location.