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ARIZONA CORPORATION COMMISSION RECEIVED

September 5, 2008 2008 SEP -5 A 11:11

ORIGINAL

**CERTIFIED MAIL**

Ms. Alice Ferrell  
Vice President/Secretary/Treasurer  
Mountain Glen Water Service, Inc.  
Post Office Box 4230  
Show Low, Arizona 85902

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
DOCKETED

SEP -5 2008

DOCKETED BY *mm*

RE: MOUNTAIN GLEN WATER SERVICE, INC. - APPLICATION FOR A RATE INCREASE  
DOCKET NO. W-03875A-08-0421

**LETTER OF DEFICIENCY**

Dear Ms. Ferrell:

In reference to your rate application received on August 8, 2008, 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 has found a number of deficiencies with the rate 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 15 copies of the corrected pages.

You have 15 calendar days, or until September 22, 2008 to correct the deficiencies, or make other arrangements with Staff to remedy your rate application.

The Staff person assigned to your application is Jeffrey M. Michlik. He can be reached at (602) 364-2034, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

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

EOA:JMM:tdp

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

**MOUNTAIN GLEN WATER SERVICE, INC.**  
**RATE APPLICATION**  
**DOCKET NO. W-03875A-08-0421**  
**TEST YEAR ENDED DECEMBER 31, 2007**  
**LIST OF DEFICIENCIES (09/05/2008)**

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

1. On page 6 of the application, the Company stated that it had 377 metered customers. However, if you combine all systems pages 17a through 17d the total number of metered customers is 376. Please reconcile.
2. On page 20 of the application, it appears that the wrong depreciation expense was calculated for account number 341 Transportation Equipment. Please correct.
3. The bill counts do not produce the test year metered revenues. Please reconcile.
4. The Company submitted its Water Use Data Sheet (PWS# 09-054) by Month for Calendar year 2007 which reports its gallons sold more than gallons pumped for 10 months out of the 12 months period. This is almost impossible. Please explain and verify the correctness of this Water Use Data Sheet.
5. How many connections does the Company expect to add each year for the next five years beginning in 2008?
6. Please provide a copy of the Arizona Department of Environmental Quality ("ADEQ")'s Monitoring Assistance Program Invoice for PWS# 09-025, 09-090, 09-054, and 09-081 for the test year 2007.

The following items are not sufficiency related items; however, these data request items will assist Staff in processing your application.

1. Please provide a copy of the Arizona Department of Water Resources ("ADWR") Water Provider Compliance Status Report for the four water systems.
2. Please provide a copy of the most recent ADEQ's Compliance Status Report for PWS# 09-025, 09-090, 09-054, and 09-081.
3. Please provide a copy of the Company's General Ledger by item and by month for the 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.