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ARIZONA CORPORATION COMMISSION

ORIGINAL

October 14, 2008

CERTIFIED MAIL

Mr. Rick Holm, President
DS Water Company
Post Office Box 786
Desert Springs, Arizona 86432

Arizona Corporation Commission
DOCKETED

OCT 14 2008

DOCKETED BY	<i>MM</i>
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RE: DS WATER COMPANY - APPLICATION FOR A RATE INCREASE DOCKET NO.
W-04049A-08-0339

SECOND LETTER OF DEFICIENCY

Dear Mr. Holm:

In reference to your rate application received on July 3, 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 found that your application was deficient on August 1, 2008. 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 15 copies of the corrected pages.

You have 15 calendar days, or until October 29, 2008, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application.

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Mr. Rick Holm, President
October 14, 2008
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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,

A handwritten signature in black ink, appearing to read "Elijah Abifiah". The signature is stylized with a large initial "E" and a long horizontal stroke extending to the right.

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

EOA:JMM:tdp

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

**DS WATER COMPANY
RATE APPLICATION
DOCKET NO. W-04049A-08-0339
TEST YEAR ENDED DECEMBER 31, 2007
SECOND LIST OF DEFICIENCIES (10/14/2008)**

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

1. In regards to Staff's prior deficiency item number 2:

"Per Decision No. 65977, dated June 17, 2003, in finding of fact 32. (b), it was determined that the fair value of the Company's property devoted to water service was \$233,052. Of that value \$240,048 was plant in service and \$11,415 was accumulated depreciation. As a courtesy to the Company, Staff has attached the original cost rate base and acquired plant and plant additions, from Staff's report dated March 6, 2003, Staff Report. Please fill in these plant summary numbers on page 14 of the application, and adjust the other columns and pages of the application accordingly".

The Company's revised amount for Plant in Service per the Prior Decision from zero to \$378,950.05, however, this is still incorrect and should be \$240,048. Please correct.

2. In regards to Staff's prior deficiency item number 11:

"Per the Company's filed tariff. Construction Water has a minimum monthly charge of \$135, with gallons in excess of the minimum billed at \$2.60 per thousand gallons. Please insert another page 9 with this information."

The Company submitted this information. However, per the Company's tariff, all additional gallon usage should be \$2.60 per 1,000 gallons, not \$2.60 for 1,001 gallons and over, please correct.

3. The bill counts do not produce the test year metered revenues. Please reconcile.

I. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Exhibit 4, and it is recommended that the company use the depreciation rates by individual National Association of Regulatory Utilities Commissioners (NARUC) category, as delineated in Exhibit 4.

J. ORIGINAL COST RATE BASE AND PLANT ADDITIONS

Staff evaluated the plant acquired from the purchase of the water system as well as the plant additions the Company made through December 31, 2002.

In the Company's original application, Schedule C, entitled "DS Water Company Historic and New Plant", estimates were used for new plant. Based on the inspection of the system and evaluation of the invoices and schedules provided by the Company through data requests and the account data sheets supplied by the Company on January 24, 2003, Staff recommends adoption of the Company's figures as set forth in the following table.

DS Water Company - Acquired Plant and Plant additions

Acct. No.	Plant-In-Service	Acquired Plant	2000 Add/Del.	2001 Add/Del.	2002 Add/Del.	2002 Total
301	Organization		\$1,057			
302	Franchise			12,890	3,862	
303	Land & Land Rights					
304	Structures & Improvements		13,595	4,263	2,285	
307	Wells & Springs	10,000			1,215	
311	Electric Pumping Equip.	5,000	16,752	19,079	2,658	
320	Water Treatment Equip.					
330	Dist. Reservoir & Standpipe	35,000			2,495	
331	Transmission & Dist. Mains	50,000		1,098	1,931	
333	Services			20,182	1,648	
334	Meters			6,727	549	
335	Hydrants					
336	Backflow Prevention Devices					
339	Other Plant & Miscell. Equip.					
340	Office Furn. & Improvements					
341	Transportation Equipment					
343	Tool & Work Equip.					
345	Power Operated Equipment		22,744		708	
346	Communication Equipment			3,500	809	
348	Other Tangible Plant					
	Totals					

1,057
16,752
20,144
11,215
43,489
37,495
58,029
21,830
7,277
23,452
4,309

240,048

DS Water Company
Docket No. W-04049A-01-0768
Docket No. W-04049A-01-0769

Schedule JHJ-1

	Original Cost Company	Adjustment	Staff	
Plant In Service	\$ 240,049	\$ -	\$ -	240,049
Less:				
Accum. Depreciation	\$ 11,415	\$ 0	\$ -	11,415
Net Plant	\$ 228,634	\$ (0)	\$ -	228,634
Less:				
Plant Advances	\$ -	\$ -	\$ -	-
Customer Meter Deposits	\$ -	\$ -	\$ -	-
Total Advances	\$ -	\$ -	\$ -	-
Contributions Gross	\$ -	\$ -	\$ -	-
Less:				
Amortization of CIAC	\$ -	\$ -	\$ -	-
Net CIAC	\$ -	\$ -	\$ -	-
Total Deductions	\$ -	\$ -	\$ -	-
Plus:				
1/24 Power	\$ 259	\$ -	\$ -	259
1/8 Operation & Maint.	\$ 4,122	\$ (137)	\$ -	4,259
Inventory				
Prepayments				
Total Additions	\$ 4,381	\$ (137)	\$ -	4,518
Rate Base	\$ 233,015	\$ (137)	\$ -	233,152