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ARIZONA CORPORATION COMMISSION

2009 AUG 13 A 9:18

August 3, 2009

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

**CERTIFIED MAIL**

Arizona Corporation Commission

**DOCKETED**

**AUG 13 2009**

Mr. Stanley Miller  
Controller  
Lagoon Estates Water Company  
2600 North 44<sup>th</sup> Street, Suite 208  
Phoenix, Arizona 85008

DOCKETED BY 

RE: LAGOON ESTATES WATER COMPANY, INC. - APPLICATION FOR A RATE INCREASE, DOCKET NO. W-01825A-09-0345

**LETTER OF DEFICIENCY**

Dear Mr. Miller:

In reference to your rate application received on July 2, 2009, 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 18, 2009, 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.

Mr. Stanley Miller  
August 3, 2009  
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,



Nancy Scott  
Chief Accountant  
Financial & Regulatory Analysis Section  
Utilities Division

NLS:DRE:tdp

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

**LAGOON ESTATES WATER COMPANY, INC.**  
**RATE APPLICATION**  
**DOCKET NO. W-01825A-09-0345**  
**TEST YEAR ENDED DECEMBER 31, 2008**  
**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 \$ 187,999 as indicated on page 19 of the application. Please reconcile and/or 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. On the Company's submitted page 19 Comparative Statement of Income and Expense there appears to be either an error in the calculation of total operating expenses or a misprint involving the total for Account 408 Taxes Other than Income. Please correct and resubmit this page.

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 2008 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 Late Fee service charge.
- Please provide the number of times during the test year that the Company billed customers for the Late Fee service charge.
- For attachment 4 of the Company's application, please indicate on the invoices the plant in service account to which the invoice relates. Alternatively, the Company may provide a summary including the invoice amount, year, and account to which it relates.

**LAGOON ESTATES WATER COMPANY, INC.**  
**RATE APPLICATION**  
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- Due to some of the invoices being difficult to read, please provide a summary sheet of the individual transactions by account and year 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.
- In the Company's application, it states there are no Account 630 Outside Services expenses. However, on the Company's Comparative Statement of Income and Expense on page 19 of the application there is an amount listed for Outside Services. If there is a balance for Outside Services, please provide all invoices in excess of \$150 incurred during the test year.
- Please provide a detailed summary of the Advances in Aid of Construction ("Advances") account since the last rate case (if available) or since the Water Department was awarded to the Ehrenberg Improvement Association. 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 submit a copy of the general liability insurance policy that the Company is claiming for Account 657 Insurance – General Liability.
- Regarding Insurance for General Liability:
  - a. Does the Company's insurance policy for general liability cover any property other than the Lagoon Estates Water Company?
  - b. If so please describe in detail how the costs for the policy are allocated between the water company and other entities?
- Please submit a copy of the health and life insurance policy that the Company is claiming for Account 659 Insurance – Health and Life.
- Regarding Insurance for Health and Life:
  - a. Does the Company's insurance policy for health and life cover any employees that are not directly employed by the Lagoon Estates Water Company?
  - b. If so please describe in detail how the costs for the policy are allocated between the water company and other entities?
- Please provide a summary of the number of customers by meter size and account class (residential, commercial).

**LAGOON ESTATES WATER COMPANY, INC.**  
**RATE APPLICATION**  
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**TEST YEAR ENDED DECEMBER 31, 2008**  
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- Please provide all invoices in excess of \$150 for the 2008 test year for the following accounts.
  - a. Account 621 Office Supplies and Expense
  - b. Account 650 Transportation Expense
  - c. Account 675 Miscellaneous Expense
  - d. Account 408 Taxes Other than Income
  
- Please provide a summary of the test year amounts for invoices less than \$150 for the following accounts.
  - a. Account 620 Repairs and Maintenance
  - b. Account 621 Office Supplies and Expense
  - c. Account 630 Outside Services
  - d. Account 650 Transportation Expense
  - e. Account 675 Miscellaneous Expense
  - f. Account 408 Taxes Other than Income
  
- Please provide a copy of the Company's capitalization policy. If such a policy does not exist, please state the dollar threshold for costs that are expensed versus capitalized.
  
- The Company provided several Company-generated payment records as documentation of plant purchases. Please provide the original invoices for these payment records as well.
  
- Please allocate the 2006 \$880 plant addition for Plant Structures and Improvements to one or more of the accounts found on the Company's Utility Plant in Service schedule submitted with its application.
  
- Please allocate the plant balance and accumulated depreciation for Account 320 Water Treatment Equipment to the subaccounts 320.1 Water Treatment Plants and 320.2 Solution Chemical Feeders.
  
- Please allocate the plant balance and accumulated depreciation for Account 330 Distribution Reservoirs and Standpipes to the subaccounts 330.1 Storage Tanks and 330.2 Pressure Tanks.