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ARIZONA CORPORATION COMMISSION RECEIVED

ORIGINAL

July 1, 2010 2010 JUL -1 P 3:25

AZ CORP COMMISSION  
DOCKET CONTROL

Mr. Steve Wene  
Moyes Sellers and Sims  
1850 North Central Avenue  
Suite 1100  
Phoenix, Arizona 85004

RE: CERBAT WATER COMPANY - APPLICATION FOR A RATE INCREASE,  
DOCKET NO. W-02391A-10-0218

**LETTER OF INSUFFICIENCY**

Dear Mr. Wene:

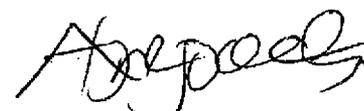
In reference to your rate application received on June 1, 2010, this letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

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 July 15, 2010, 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.

The Staff person assigned to your application is Alexander Ibhade Igwe. He can be reached at (602) 542-0857, or toll free at (800) 222-7000, if you have any questions or concerns.

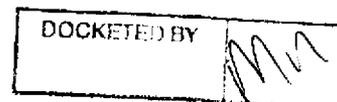
Sincerely,

 Arizona Corporation Commission  
**DOCKETED**

Elijah Abinah  
Assistant Director  
Utilities Division

JUL -1 2010

EOA:AII:red



CERBAT WATER COMPANY  
Docket No. W-02391A-10-0218

LIST OF DEFICIENCIES

1. The Company did not submit the Arizona Department of Revenue Certificate of Compliance Letter of Good Standing.
2. The Company did not provide invoices for each plant asset purchased in excess of \$150 for the Test Year as well as all of the intervening years since its prior Test Year.
3. Page of 6 of the Company's application shows test year operating income of \$108,862 and a rate increase of \$57,946, for a total of \$165,265. Staff addition of test year operating revenues to Company proposed rate increase results in a total of \$166,808. Please reconcile the Company's proposal on page 6 of the rate application.
4. On page 13f, the Company reports no addition or retirement of hydrant in 2006. For hydrant, please reconcile 2006 beginning balance of \$14,440 to the ending balance of \$3,220.