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2010 SEP 27 P 1:59

September 27, 2010

AZ CORP COMMISSION  
DOCKET CONTROL

Ms. Sonn S. Rowell, CPA  
Desert Mountain Analytical Services PLLC  
PO Box 51628  
Ahwatukee, Arizona 85076

RE: EAST SLOPE/ANTELOPE RUN/INDIADA CONSOLIDATED - APPLICATION FOR A  
TRANSFER OF OWNERSHIP AND CONSOLIDATION OF RATES - DOCKET NOS. W-  
01906A-10-0171, W-02327A-10-0171 AND W-02031A-10-0171

SECOND LETTER OF DEFICIENCY

Dear Ms. Rowell:

In reference to your joint application for transfer of ownership and consolidation of rates received on April 30, 2010, this letter is to inform you that none of the underlying rate applications upon which your application is based have met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff previously found that your application was deficient on May 28, 2010. 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 16 calendar days, or until October 13, 2010, 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,

Nancy L. Scott, Esq.  
Chief, Financial & Regulatory Analysis Section  
Utilities Division

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

Arizona Corporation Commission

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**CONSOLIDATED  
EAST SLOPE WATER COMPANY, INDIADA WATER COMPANY,  
ANTELOPE RUN WATER COMPANY**

**Rate Application**

**Docket Nos. W-01906A-10-0171, W-02031A-10-0171 and W-02327A-10-0171**

**Test Year Ended December 31, 2009**

**List of Deficiencies**

**Accounting Issues**

1. The consolidated 5/8" x 3/4" metered customer bill counts do not produce the proposed consolidated meter revenues. Please reconcile.

**Engineering Issues**

2. Referring to a Preliminary Statement on page 2 of Finance Application, "The Company is seeking to finance improvements to **water production** and distribution systems, which will cost an estimated \$3,000,000.00." However, according to the Opinion of Probable Costs in Exhibit 1, there are no proposed improvements to water production. For clarification purposes please identify those items that specifically enhance water production and those items that are related to distribution.
3. In order for Staff to accurately evaluate the Finance Application, please provide a report prepared by the Company's Engineer. The report should include a map (a map should identify respective CC&Ns, a layout of existing plant by system and proposed improvements), analysis of each system deficiencies and recommendations of the most efficient and appropriate improvements with detailed description of the proposed construction cost and timeline.