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2010 SEP 27 P 1:58

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 WATER COMPANY - APPLICATION FOR A RATE INCREASE DOCKET NO.
W-01906A-10-0170

SECOND LETTER OF DEFICIENCY

Dear Ms. Rowell:

In reference to your rate application received on April 30, 2010, 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 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

DOCKETED

SEP 27 2010

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EAST SLOPE WATER COMPANY
Rate Application
Docket No. W-01906A-10-0170
Test Year Ended December 31, 2009
List of Deficiencies

Engineering Issues

1. 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 indentify those items that specifically enhance water production and those items that are related to distribution.

2. 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.