

ORIGINAL



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2011 APR 12 P 4:24

AZ CORP COMMISSION  
DOCKET CONTROL

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8  
9 **COMMISSIONERS**

10 GARY PIERCE, CHAIRMAN  
11 PAUL NEWMAN  
12 SANDRA D. KENNEDY  
13 BOB STUMP  
14 BRENDA BURNS

Arizona Corporation Commission  
DOCKETED

APR 12 2011

DOCKETED BY

15 IN THE MATTER OF THE APPLICATION OF  
16 INDIADA WATER COMPANY, INC., FOR  
17 APPROVAL OF A PERMANENT INCREASE  
18 IN ITS WATER RATES.

DOCKET NO. W-02031A-10-0168

19 IN THE MATTER OF THE APPLICATION OF  
20 ANTELOPE RUN WATER COMPANY FOR  
21 APPROVAL OF A PERMANENT INCREASE  
22 IN ITS WATER RATES.

DOCKET NO. W-02327A-10-0169

23 IN THE MATTER OF THE APPLICATION OF  
24 BOB B. WATKINS DBA EAST SLOPE  
25 WATER COMPANY FOR APPROVAL OF  
26 ITS PERMANENT INCREASE IN ITS  
27 WATER RATES.

DOCKET NO. W-01906A-10-0170

28 IN THE MATTER OF THE APPLICATION OF  
BOB B. WATKINS DBA EAST SLOPE  
WATER COMPANY, INDIADA WATER  
COMPANY, INC., AND ANTELOPE RUN  
WATER COMPANY FOR APPROVAL OF A  
TRANSFER OF ASSETS AND

DOCKET NO. W-01906A-10-0171  
DOCKET NO. W-02031A-10-0171  
DOCKET NO. W-02327A-10-0171

1 CERTIFICATES OF CONVENIENCE AND  
2 NECESSITY.

3 IN THE MATTER OF THE APPLICATION OF  
4 BOB B. WATKINS DBA EAST SLOPE  
5 WATER COMPANY FOR AUTHORITY TO  
6 INCUR LONG-TERM DEBT.

DOCKET NO. W-01906A-10-0183

6 IN THE MATTER OF THE APPLICATION OF  
7 INDIADA WATER COMPANY, INC. FOR  
8 AUTHORITY TO INCUR LONG-TERM  
9 DEBT.

DOCKET NO. W-02031A-10-0184

9 IN THE MATTER OF THE APPLICATION OF  
10 ANTELOPE RUN WATER COMPANY FOR  
11 AUTHORITY TO INCUR LONG-TERM  
12 DEBT.

DOCKET NO. W-02327A-10-0185

**COMPANIES' RESPONSE TO  
STAFF'S MOTION TO  
SUSPEND TIME CLOCK AND  
REQUEST FOR PROCEDURAL  
CONFERENCE**

13  
14  
15  
16 The East Slope Water Company, Indiada Water Company, and Antelope Run  
17 Water Company ("Companies" or "Applicants"), hereby submit this Response to Staff's  
18 Motion to Suspend Time Clock and Request for Procedural Conference. The Companies  
19 understand that the court has already set the procedural conference for April 21, 2011,  
20 and do not oppose this telephonic conference. For the reasons provided in the supporting  
21 Memorandum of Points and Authorities, however, the Companies do oppose the  
22 suspension of the time clock requested by Staff at this time.  
23  
24

25 **Memorandum of Points and Authorities**

26 On April 1, 2011 - just 9 days after this court issued its procedural order setting  
27 the deadline for Staff to submit direct testimony - Staff filed its motion to indefinitely  
28 suspend the time clock in this case. With more than 100 days left before the due date,

1 Staff filed the motion for more time to prepare their direct testimony. To support the  
2 motion, Staff makes two points. First, Staff alleges the “Companies’ delayed response  
3 has impeded Staff’s analysis and ability to produce testimony.” Second, due to the  
4 alleged “complexities” of this case, “Staff anticipates a need to issue additional data  
5 requests once it reviews the Companies’ responses.” But as explained below, the  
6 Companies’ responses have not been delayed and the issues are not that complex to  
7 warrant an indefinite suspension of the time clock.  
8

### 9 **The Companies’ Responses to Data Requests Were Timely**

10  
11 On March 2, 2011, the Companies received approximately 150 data requests from  
12 Staff that reasonably took more than 10 days to answer. Many of these data requests had  
13 numerous subparts.<sup>1</sup> Moreover, rather than being tailored to a small company, many of  
14 the data requests illustrate that the data requests were essentially “form documents” that  
15 was used in other rate cases applicable to large water companies. For example, some  
16 data requests sought employee newsletters (JMM 2-11) and data requests from  
17 intervenors (JMM 2-12), which do not apply here. *See, e.g.*, Attachment 1, Staff’s  
18 Second Set of Data Requests to East Slope Water Company (Mar. 1, 2011). Other  
19 questions required the Companies to produce substantial documentation. *See id.* at JMM-  
20 47 (provide all invoices for plant additions and deletions by year for the intervening years  
21 (since 1989)).  
22  
23  
24  
25  
26  
27

28  

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<sup>1</sup> *See, e.g.*, Attachment 1, Staff’s Second Set of Data Requests to East Slope Water Company, JMM 2-19, JMM 2-23, and JMM 2-26.

1 The Companies responded to the data requests for East Slope Water Company and  
2 Indiada Water Company on April 1, 2011.<sup>2</sup> The Companies responded to the data  
3 requests for Antelope Run on April 8, 2011. In other words, the Companies answered  
4 literally hundreds of requests for information and documents in approximately 30 days.  
5

6 Clearly, Staff's argument that the Companies "delayed response has impeded  
7 Staff's analysis and ability to produce testimony" is not supported by the facts. Staff's  
8 premise that the Companies have unreasonably delayed in responding to the data requests  
9 is not true. Further, Staff will have more than 90 days to review the data requests and  
10 produce direct testimony.  
11  
12

13 **This Matter is Not Complex**

14 This matter is not complex. The Companies have less than 1,000 customers. The  
15 accounting is simple and straightforward. The Companies already have provided Staff all  
16 of the general ledgers, plant invoices, and expense invoices. The only unusual issue in  
17 this case is the Companies' request to consolidate. This is a policy decision that does not  
18 unduly burden Staff. The Companies have already provided Staff proposed rates for the  
19 Companies if they continue to stand alone as well as if they are consolidated. So the  
20 additional work involved is minimal.  
21  
22

23 **Conclusion and Action Requested**

24 In sum, Staff will have more than 90 days to review the data responses and offer  
25 direct testimony. Knowing the Companies have less than 1,000 customers combined, and  
26  
27

---

28 <sup>2</sup> Staff received the responses on April 4, 2011.

1 Staff routinely undertakes rate cases with tens of thousands of customers and still meet  
2 the regulatory time frames, the Companies firmly believe that Staff has enough time to  
3 complete its work. Staff has provided no reason to conclude otherwise. Therefore, the  
4 court should deny Staff's motion to indefinitely suspend the time clock.  
5

6  
7 RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of April, 2011.

8 **MOYES SELLERS LTD.**

9  
10 

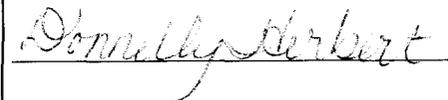
11 Steve Wene  
12 Attorneys for the Companies  
13

14 Original and 15 copies of the foregoing  
15 filed this 12<sup>th</sup> day of April, 2011, with:

16 Docket Control  
17 Arizona Corporation Commission  
18 1200 West Washington  
19 Phoenix, Arizona 85007

20 Copy of the foregoing mailed this  
21 12<sup>th</sup> day of April, 2011, to:

22 Robin Mitchell, Attorney  
23 Legal Division  
24 Arizona Corporation Commission  
25 1200 W. Washington Street  
26 Phoenix, Arizona 85007  
27 [rmitchell@azcc.gov](mailto:rmitchell@azcc.gov)

28 

# **ATTACHMENT 1**

**COMMISSIONERS**  
GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS



RECEIVED

MAR 02 2011 ERNEST G. JOHNSON  
Executive Director

MOYES SELLERS

ARIZONA CORPORATION COMMISSION

March 1, 2011

Steve Wene  
Moyes, Sellers & Sims Ltd  
1850 N. Central Avenue, Suite 100  
Phoenix, Arizona 85004

Sent Via United States Mail  
and Email: [swene@lawms.com](mailto:swene@lawms.com)

Re: Staff's Second Set of Data Requests to East Slope Water Company  
Docket No. W-01906A-10-0170

Dear Mr. Wene:

Please treat this as Staff's Second Set of Data Requests to East Slope Water Company in the above matter.

For purposes of this data request set, the words "East Slope Water," "Company," "you," and "your" refer to East Slope Water Company, and any representative, including every person and/or entity acting with, under the control of, or on behalf of East Slope Water Company. For each answer, please identify by name, title, and address each person providing information that forms the basis for the response provided.

These data requests are continuing, and your answers or any documents supplied in response to these data requests should be supplemented with any additional information or documents that come to your attention after you have provided your initial responses.

Please respond within ten calendar days of your receipt of the copy of this letter. However, if you require additional time, please let us know.

*Please provide one hard copy as well as searchable PDF, DOC or EXCEL files (via email or electronic media) of the requested data directly to each of the following addressees via overnight delivery services to:*

- (1) Jeffrey M. Michlik, Utilities Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007 ([jmichlik@azcc.gov](mailto:jmichlik@azcc.gov)).
- (2) Robin Mitchell, Attorney, Legal Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007 ([rmitchell@azcc.gov](mailto:rmitchell@azcc.gov)).

Sincerely,

A handwritten signature in black ink, appearing to read "Robin Mitchell".

Robin Mitchell  
Attorney, Legal Division  
(602) 542-6024

RRM:ah

cc: Sonn S. Rowell  
Jeffrey M. Michlik  
Katrin Stukov

Encl.

**ARIZONA CORPORATION COMMISSION  
STAFF'S SECOND SET OF DATA REQUESTS TO  
EAST SLOPE WATER COMPANY  
DOCKET NO. W-01906A-10-0170  
MARCH 1, 2011**

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Subject: **All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.**

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**TEST YEAR ENDED DECEMBER 31, 2009**

Accounting Data Requests

- JMM 2-1     General Ledger - Please provide a copy of the Company's General Ledger by item and by month for the 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.
- JMM 2-2     Cross References For General Ledger – Please provide a cross reference to show the general ledger accounts accumulated for presentation of each line item in Schedule B-1.
- JMM 2-3     Electronic Copies of Rate Application – Please provide electronic copies of all schedules in your rate application in Microsoft Excel or compatible format.
- JMM 2-4     Work Papers - Please provide a copy of all the work papers created/utilized to develop the Application, and any updates or revision throughout the rate case process.
- JMM 2-5     Contracts and Agreements – Please provide copies of all contracts related to the operation and maintenance of the systems.
- JMM 2-6     Operational & Productivity Reports - Please provide the following:  
a.     the resulting reports from any productivity or operational efficiency studies or management audits of the Company conducted during the test year or within the prior two years.  
b.     the periodical (monthly, quarterly, etc.) operating results for the test year and prior two years.
- JMM 2-7     Internal Audits – Please provide a copy of each internal audit performed by the Company's internal auditors during the test year or the prior two years.
- JMM 2-8     Service and Quality Levels - Please state all major service objectives and indicate any areas where service levels or quality were not met in the test year or within the two prior years. If service or quality levels were not met, please provide documentation explaining at a minimum the deficiency, the action(s) taken and the current status.
- JMM 2-9     Management Letters – Please provide copies of all management letters received from the Company's outside auditors during the test year or the prior two years.

**ARIZONA CORPORATION COMMISSION  
STAFF'S SECOND SET OF DATA REQUESTS TO  
EAST SLOPE WATER COMPANY  
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MARCH 1, 2011**

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- JMM 2-10     Minutes of the Board of the Directors – Please provide copies of the minutes of all meetings of the Board of Directors for the test year and all intervening years since the test year in the Company's prior rate case.
- JMM 2-11     Employee Newsletters – Please provide copies of all internal Company/employee newsletters published since the beginning of the test year.
- JMM 2-12     Data Requests of All Intervenors – Please provide the following information:  
a.     Provide a copy of all formal data requests and your responses from all intervenors.  
b.     Provide a copy of all responses to informal and/or on-site data requests from intervenors.
- JMM 2-13     Abnormal or Non-Recurring Events – Please describe all abnormal or non-recurring events during the test year that are known to have materially impacted revenues, expenses or rate base.
- JMM 2-14     Related Parties - If there are any related party relations between employees of the Company and outside vendors or contractors please identify and state the nature of the relationship(s).
- JMM 2-15     Affiliates, Transactions – Please provide a schedule of all transactions with affiliates during the test year. As part of your response, please include the dollar amount and the account number for each affiliate transaction.
- JMM 2-16     Affiliates, Capitalized Billings – Please state whether or not any affiliate billings are capitalized.
- JMM 2-17     Affiliates, Profit – Please state the return or “profit” component included in the billings from each affiliate. Please explain the basis for determining such profit factors, provide a schedule showing profit factor calculations, explain how the amounts are recorded, and specify the actual profits included in plant costs. As part of your response, please identify for each plant addition, the year, the related plant account number(s), and amount(s) of “profit” recorded.
- JMM 2-18     Affiliates, Organization Chart – Please describe completely all relationships between the Company and affiliated companies, and furnish an organizational chart which reflects the relationships.

**ARIZONA CORPORATION COMMISSION  
STAFF'S SECOND SET OF DATA REQUESTS TO  
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- JMM 2-19     Affiliates: Contributions, Dues, Etc. – Please state the amount of the following that is included in inter-company billings from the Company's affiliates.
- a.     Dues paid for social and service clubs.
  - b.     Membership payments made to industry associations
  - c.     Charitable contributions
  - d.     Scholarships
  - e.     Sponsorships
  - f.     Lobbying expenses
  - g.     Gifts and awards
  - h.     Food and beverages
  - i.     Luncheons and dinners
  - j.     Employee parties, picnics, or other similar events
  - k.     Entertainment
- JMM 2-20     Shared Facilities Allocations - Please describe in detail any operating or administrative facilities which the Company shares with other entities, affiliated or not, and the basis for quantification and allocation of the related capital costs.
- JMM 2-21     Lead/lag - Did the Company prepare or have prepared on its behalf a lead/lag study? If yes, please provide it. If not, why not?
- JMM 2-22     Significant Post-Test Year Developments – Please provide a narrative description of the following:
- a.     Important financial or operational developments since the end of the test year.
  - b.     Significant pending, planned, or probable financial or operational developments anticipated which have a potentially material impact on the Company.
- JMM 2-23     Post-Test Year Plant / Construction Work in Progress – Please provide the following information for each construction project that was not completed at the end of the test year that the Company is requesting to have included in rate base:
- a.     Identification and description of the project.
  - b.     Date construction began.
  - c.     Date construction is expected to be completed or was completed and placed in service.
  - d.     The periods during which the ratepayers will likely benefit from the project.
  - e.     The extent to which the project replaces existing plant.
  - f.     Actual costs as of the end of the Test Year.
  - g.     Actual costs as of December 31, 2010.
  - h.     Accounts to which such costs will be transferred from construction work in process.
  - i.     Source of funding (i.e., hook-up fees, advances, equity or loans).

**ARIZONA CORPORATION COMMISSION  
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- JMM 2-24     Capitalization Policy – Please state the dollar threshold for costs that are expensed versus capitalized. Is this threshold in writing?
- JMM 2-25     Construction Work Plans – Please provide your 2010 - 2015 construction work plans including estimated costs.
- JMM 2-26     Asset Retirement Obligation – Please state whether or not an asset related to an asset retirement obligation (“ARO”) is included in any amount shown on Schedule E-5, Detail of Plant? If so, please provide the following for each ARO:
- a.     A description of the asset and the reason for the obligation;
  - b.     Documentation establishing a legal obligation;
  - c.     The balance of the asset and corresponding obligation and the related account numbers in which the amounts are recorded;
  - d.     The amount included in rate base;
  - e.     The recovery/amortization period, i.e., initial recording date through the obligation completion date;
  - f.     The test year accretion expense;
  - g.     The amount of accretion expense included in operating expenses;
  - h.     The credit adjusted risk free (interest) rate.
- JMM 2-27     Expensed Plant – Please provide a listing of any plant items expensed by the Company during the test year. As part of your response, please include a description and cost.
- JMM 2-28     Contributions in aid of Construction “CIAC” – Please provide the following:
- a.     A complete list of all contributions, showing the name of the contributor, reconciled to the amount on Schedule B-1;
  - b.     An amortization schedule for each contribution in part “a” showing the year obtained, annual amortization, amounts converted to AIAC, and ending balance; also, if the Company maintains records to track the plant accounts to which the contributions were used to fund, identify the initial amounts, by plant account, used to fund each contribution;
  - c.     A reconciliation of the CIAC adopted by the Commission in the prior rate case to the balance proposed in the current filing.
- JMM 2-29     Advances in aid of Construction “AIAC” and Refunds of AIAC – Please describe/provide the following:
- a.     The Company’s procedures and internal controls used to record AIAC and to ensure that refunds are made in a timely basis.
  - b.     A complete history (receipt dates, names of those providing funds) of all AIAC’s received and refunded in the intervening years from the end of the test year in the prior rate case to the end of the current test year.

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- c. A breakout of the AIAC balance at the end of the test year into its uses (e.g., plant in service, construction work in progress, cash and cash equivalents).
- JMM 2-30 Competitive Bids – Please state the Company’s policy and practice regarding the use of competitive bids for construction work. Please provide supporting documentation of the policy. If the Company does not have a policy, please explain.
- JMM 2-31 Penalties Fines, and Settlements - Please provide information regarding any fines, penalties, or settlements paid or incurred in the test year. Also, describe how they were accounted for in the Company’s books and records, and identify the amount, if any, included for recovery either as operating expenses or included in rate base.
- JMM 2-32 Meter Installation Charges - Please explain and provide documentation and justification for the increase in service line and meter installation charges.
- JMM 2-33 Long-Term Debt - Please provide Staff with the Arizona Corporation Commission Decision No(s). that granted authorization of each long-term obligation. Also, provide a copy of each loan agreement and the associated amortization schedules for each long-term obligation.
- JMM 2-34 Overhead, Construction Projects – Please provide a calculation of the overhead costs included in the total cost for each construction project completed in the intervening years since the test year in the prior rate case through the end of the test year in the current filing. As part of your response, please include a description of each type of overhead as well as assumptions used in the calculations.
- JMM 2-35 Allowance for Funds Used During Construction (“AFUDC”) – Does the Company record AFUDC? If so:
- a. For each construction project that the Company is proposing to include in rate base, please provide:
    1. The method used to determine the AFUDC rates and an example of the calculation.
    2. The AFUDC rates applied in each month in the intervening years since the test year in the prior rate case through the end of the test year in the current filing.
  - b. For each plant addition/construction project/work order that the Company is proposing to include in rate base that was not included in rate base in the prior rate case, please provide:

**ARIZONA CORPORATION COMMISSION  
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1. The dollar amount of AFUDC recorded by year and plant account number;
  2. The total dollar amount by year and plant account number and the yearly total for all plant accounts;
- c. State the AFUDC compounding methodology applied, if any, and the specific authorization for use of that compounding method;
- d. If the Company does not accrue AFUDC or capitalize interest on construction work in progress, please provide written verification of such procedure.

JMM 2-36 Purchased Power - Please provide a detailed line item schedule for this account clearly showing the separate transaction/invoice amounts that make up the total balance of \$52,368 as shown in the rate application. Please include the invoice(s), and other supporting documentation reconciled to the amount claimed as an operating expense in the application.

JMM 2-37 Chemicals - Please provide a detailed line item schedule for this account clearly showing the separate transaction/invoice amounts with the total reconciled to the amount (\$460) claimed as an operating expense in the rate application. Please include the invoice(s), and other supporting documentation.

JMM 2-38 Repairs and Maintenance - Please provide a detailed line item schedule for this account clearly showing the separate transaction/invoice amounts with the total reconciled to the amount (\$11,895) claimed as an operating expense in the rate application. Please include the invoice(s), and other supporting documentation.

JMM 2-39 Office Supplies and Expense - Please provide a detailed line item schedule for this account clearly showing the separate transaction/invoice amounts with the total reconciled to the amount (\$8,246) claimed as an operating expense in the rate application. Please include the invoice(s), and other supporting documentation.

JMM 2-40 Outside Services - Please provide a detailed line item schedule for this account clearly showing the separate transaction/invoice amounts with the total reconciled to the amount (\$122,149) claimed as an operating expense in the rate application. Please include the invoice(s), and other supporting documentation.

JMM 2-41 Water Testing - Please provide a detailed line item schedule for this account clearly showing the separate transaction/invoice amounts with the total reconciled to the amount (\$3,980) claimed as an operating expense in the rate application. Please include the invoice(s), and other supporting documentation.

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- JMM 2-42     Transportation Expense - Please provide a detailed line item schedule for this account clearly showing the separate transaction/invoice amounts with the total reconciled to the amount (\$13,003) claimed as an operating expense in the rate application. Please include the invoice(s), and other supporting documentation.
- JMM 2-43     Insurance – General Liability Expense - Please provide a detailed line item schedule for this account clearly showing the separate transaction/invoice amounts with the total reconciled to the amount (\$6,491) claimed as an operating expense in the rate application. Please include the invoice(s), and other supporting documentation.
- JMM 2-44     Rate Case Expense - Please provide a detailed breakout of the Company's requested rate case expense estimate. Also, please provide any rate case expense billings/invoices that have already been incurred and all future billings/invoices as they become available.
- JMM 2-45     Property Taxes – Please provide Staff with a copy of all property tax bills and cancelled checks to support the amount (\$10,547) claimed as an operating expense in the rate application. Also, specify the Company's composite property tax rate.
- JMM 2-46     Income Tax – Please provide Staff with a copy of the Company's income tax returns (both state and federal) for the test year and the 4 prior years.
- JMM 2-47     Plant Additions and Deletions – Please provide a schedule of plant additions and deletions by year and by line item (e.g., 307 Wells and Springs), for the intervening years since the test year in the Company's prior rate case through the end of the test year in the current filing. In addition, provide the invoices and other supporting documentation for all of these additions.

Engineering Data Requests

Please answer the following data requests that have been outstanding since September 29, 2010, and have been reproduced here for your convenience.

- KS – 1.1     Referring to the Amended Rate Applications, Water Testing during the Test Year (Exhibit 7 & 8):

Please correct discrepancies in the cost per test for TTHM. The cost is \$110 according to the Exhibit 7, but \$150 according to invoices in Exhibit 8.

**ARIZONA CORPORATION COMMISSION  
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KS – 1.2 Referring to the Amended Rate Applications, Additions (Acct.311 & 331/  
Schedule E-5):

In order for Staff to accurately evaluate Rate Applications, please provide a spreadsheet identifying the plant items that are associated with the dollar amounts. For example, under Account 311 Pumping Equipment, East Slope/Well ADWR55-805786: replaced failed 20hp pump (originally installed in 2000, with cost amount \$ \_ ) with a new 20hp pump, with cost amount \$ \_ ). Also, for example, under Account 331 Transmission & Distribution Mains, East Slope: replaced a leaking pipe (1,000 feet of 6 inch AC pipe, originally installed in 1980/ cost amount \$ \_ ) with a new pipe (1,000 feet of 6 inch PVC pipe/cost amount \$ \_ ).

KS – 1.3 Please provide **Sustained Well Production with Presently Installed Pump** (GPM) data for each active well listed in the Water Systems Plant Description (Exhibit 4). Please identify active wells by ADWR ID Number.