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2011 JUN -8 P 2: 26
June 8, 2011

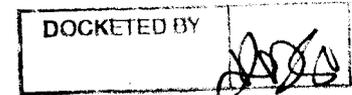
AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JUN 8 2011

Ms. Debra Kilgore, Vice President
Cienega Water Company
P.O. Box 3518
Parker, Arizona 85344



RE: CIENEGA WATER COMPANY, INC. - APPLICATION FOR A RATE INCREASE,
DOCKET NO. W-02034A-11-0194

LETTER OF DEFICIENCY

Dear Ms. Kilgore:

In reference to your rate application received on May 9, 2011, 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 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 sixteen copies of the corrected pages.

You have 15 calendar days, or until June 23, 2011, 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 Crystal Brown. She can be reached at (602) 542-0564, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Scott".

Nancy Scott
Chief of Financial & Regulatory Analysis Section
Utilities Division

Service List for: Cienega Water W-02034A-11-0194

Ms. Debra Kilgore, Vice President
Cienega Water Company
P.O. Box 3518
Parker, Arizona 85344

CIENEGA WATER COMPANY, INC. – DEFICIENCY LIST

1. Metered Water Revenue – Based on the bill count provided, Staff calculated metered revenue of \$26,778. However, the income statement shows metered revenue of \$29,120. Please reconcile the difference and/or provide a corrected bill count. As part of your response, please provide a copy of your general ledger for the test year.
2. Page 13, Plant Additions and Retirements By Year – Thank you for the Plant Additions and Retirements Schedule you provided for the years 1999 and 2000. However, the information is inconsistent with the Utility Plant in Service by Year Schedule you provided as discussed in Item 2 above. Please reconcile the difference. If additional or corrected schedules need to be filed, please do so.
3. Page 14, Plant Summary – In your last rate case, the Commission adopted Staff's rate base and the Plant in Service amounts. Please correct this schedule by using the Staff adjusted plant balances.
4. Pages 15 and 21, Accumulated Depreciation – Please report the amount of accumulated depreciation on both page 15 of the Utility Plant In Service in the column entitled "Accumulated Depreciation" and also on page 21, the Balance Sheet schedule in the section entitled "Accumulated Depreciation."
5. Page 23, Meter Deposits – In your last rate case, the Commission adopted Staff's rate base and the Meter Deposits balance of \$5,130. Please correct this schedule by using the Staff adjusted plant balance of \$5,130.

DATA REQUESTS

6. Required Checklist Item, DOR Certificate of Compliance Letter of Good Standing – You did not provide a Department of Revenue ("DOR") Certificate of Compliance Letter of Good Standing in your application. The application stated that Cienega Water Company had been "grandfathered." Staff spoke with DOR and found that that it does not "grandfather" companies in regards to taxes. Please provide some form of documentation from DOR that indicates Cienega Water Company's current status. If you apply to DOR for a Certificate of Compliance Letter of Good Standing and are denied, please provide the denial letter.
7. Required Checklist Item, Invoices for Plant Additions – The Utility Plant in Service by Year Schedule you provided indicates a \$4,219 computers and software addition and a \$3,545 miscellaneous plant addition. The schedule also indicates additions for the years 2000, 2001, and 2004 for Other Plant in amounts greater than \$150. Please provide the invoices. If you do not have the invoices, please state such.
8. Required Checklist Item, Purchased Power Invoices – Thank you for the list of purchased power payments. However, the application requires the invoices that support your

purchased power payments be provided. Please provide the invoices and/or a statement from APS showing the amount billed each month.

9. Required Checklist Item, Outside Services Invoices – Thank you for the list of payments made to your outside services vendor. However, the application requires the invoices that support your outside services payments be provided. Please provide the invoices. If you do have the invoices, please provide the canceled checks.

10. Corporation Status – The Corporations Division reported that on June 1, 2011, that they show no record of the company. Please explain why there is no record for Cienega Water Company.

11. Water Loss – The water use data sheet included with the application indicates a 57% water loss during the 2010 test year. Is the water delivered for irrigation purposes included in the reported water use data (this may be a contributing factor to the extremely high percentage of lost water reported for the test year).

12. Unit Cost for POU – Provide unit costs for the cost estimate for POU treatment.

13. Unit Cost for Water Testing Expenses – Provide unit costs for the test year water testing expenses.