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ARIZONA CORPORATION COMMISSION

2012 JUN 25 P 3:53

June 25, 2012

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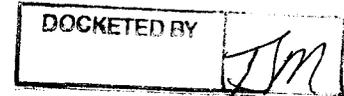
Arizona Corporation Commission

**DOCKETED**

JUN 25 2012

CERTIFIED MAIL

Mr. Douglas R. Thorne  
Kohl's Ranch Water Company  
PO Box 206  
Payson, Arizona 85547



RE: KOHL'S RANCH WATER COMPANY – APPLICATION FOR A RATE INCREASE  
DOCKET NO. W-02886A-12-0190

**LETTER OF INSUFFICIENCY**

Dear Mr. Thorne:

This letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that your application, received on May 25, 2012; did not meet the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103. Staff has found a number of deficiencies with the 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 the original and 15 copies of the corrected pages.

You have 15 calendar days, or until July 10, 2012, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If corrections or other arrangements are not made by that date, Staff will request that the docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and 15 copies of an updated application at a later date.

The Staff person assigned to your application is Brendan Aladi. He can be reached at (602) 542-0785, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Nancy L. Scott".

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

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

**Kohl's Ranch Water Company**  
Docket No. W-02886A-12-0190  
For the test year ended January 31, 2012  
Rate Application

List of Deficiencies

1. Please provide a complete listing of Kohl's utility assets and the historic cost for all the plants, by plant account number.
2. Page 13, Plant Additions and Retirements by Years Schedule, Please list all plant additions and retirements for 2011 and 2012.
3. The application states that some meters are worn out and are unreadable, which implies meter readings or bill counts may not be accurate. Please explain how meter readings are verified.
4. Pages 21 and 22 of the application, balance sheet, is out of balance. Total assets at the end of the test year is \$165,511, is not equal to total liabilities and capital \$0.0. Please correct.
5. Referring to Water Company Plant Description and Water Use Data (Application pages 16, 17 and 18):

In accordance with Commission Decision No. 72094, it indicates the Company "shall, within 30 days after the effective date of this Decision, ensure that appropriately sized meters are obtained, if necessary, and are installed to measure the water flowing from the spring source into the Spring System and flowing between the Well System and the Spring System." Furthermore, the Company "shall, in future Annual Reports and rate filings report data, including but not limited to its water use and plant description data, separately for the Spring System and Well system and that Kohl's Ranch Water Company shall include in such filings data showing the water flowing from the spring source into the Spring System and the water flowing between the Well System and the Spring System through the interconnection between the two systems." It appears that the Company has not included this information by specific Public Water System ("PWS") and did not provide it in accordance with Commission Decision No. 72094.

6. Referring to Water Use Data:

Gallons pumped cannot equal gallons sold. It appears that the Company listed equal gallons pumped and sold from the Well system. Which indicates that the data reported is fictitious and does not represent the actual amount of water pumped according to the source meter.