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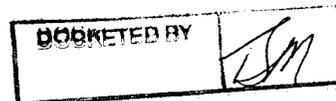
2013 MAY 17 AM 10:17, 2013

Arizona Corporation Commission
DOCKETED

MAY 17 2013

CERTIFIED MAIL

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL



Mr. Robert T. Hardcastle,
President Brooke Utilities, Inc.
Payson Water Company
3101 State Road
Bakersfield, California 93308

RE: PAYSON WATER COMPANY, INC. – APPLICATION FOR A RATE INCREASE,
DOCKET NO. W-03514A-13-0111

LETTER OF DEFICIENCY

Dear Mr. Hardcastle:

In reference to your rate application received on April 22, 2013, 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 3, 2013, 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 may request that the Commission issue sanctions against the Company for delaying the processing of the rate application. Staff would note that the receipt and processing of this application has already been delayed by previous Company action.

The Staff person assigned to your application is Crystal Brown. She can be reached at (602) 542-0864, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

James Armstrong
Chief of Financial & Regulatory Analysis
Utilities Division

PAYSON WATER COMPANY, INC. – DEFICIENCY LIST

1. Metered Water Revenue for 1-Inch C&S Meter Size – Schedule H-1, line 5 reports \$566 in present rate revenues for the 1-Inch C&S meter size. However, it appears that that this amount is incorrect.

Using the billing determinants that you provided the revenue is \$1,178.

- The revenue generated from the monthly minimum is \$1,020: \$42.50 (Sch. H-3, line 7) x 24 bills (Sch. H-5, p.5) and
- The revenue generated from the commodity charge is \$158.38: 107,012 gallons (Sch. H-5, p.5) / 1,000 x \$1.48 per 1,000 gallons (Sch. H-3, line 29); for a total of \$1,178.

Please verify the billing determinants and rates provided. If correct, please explain the difference between the \$566 and the \$1,178 amounts.

2. Schedule A-1 \$544 Reconciling Amount – Schedule A-1, line 35 shows a \$544 reconciling amount. Please review this amount after Item No. 1 above is resolved.
3. Schedule E-9, Missing Information – The Arizona Administrative Code requires that the following information be provided for Schedule E-9:
 - Accounting method.
 - Depreciation lives and methods employed by major classifications of utility property.
 - Income tax treatment – normalization or flow through
 - Interest rate used to charge interest during construction, if applicable.

This requirement is irrespective of a company conducting independent audits. Please provide the required information.

4. Financing Application To Be Filed Concurrently With Rate Application – In Decision No. 71902, on page 11, lines 19 to 20, the Commission stated:

that if the Company believes that it will need to incur debt in order to solve its water shortage problem, that it file a financing application concurrently with its rate application as ordered hereinabove;

Please file the financing application concurrently with the rate application.