

COMMISSIONERS
BOB STUMP -CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

ORIGINAL



0000149911

ARIZONA CORPORATION COMMISSION

December 20, 2013

RECEIVED

2013 DEC 20 A 9:55

CERTIFIED MAIL

Naco Water Company, LLC.
P.O Box 85160
Tucson, AZ 85754

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

RE: NACO WATER COMPANY, LLC. – APPLICATION FOR A RATE INCREASE,
DOCKET NO. W-02860A-13-0399

LETTER OF DEFICIENCY

Dear Sir or Madam:

In reference to your rate application received on November 20, 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 January 6, 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 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 Phan Tsan. Ms. Tsan can be reached at (602) 542-7139, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "James R. Armstrong".

James R. Armstrong
Chief, Financial & Regulatory Analysis Section
Utilities Division

JRA:PNT:red

cc: Docket Control Center (sixteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

Arizona Corporation Commission

DOCKETED

DEC 20 2013

DOCKETED BY	
-------------	--

DEFICIENCY LIST

1. Test year on Schedule H-1 and H-5(all pages) is 2011 but test year identified in the direct testimony is 2012.
2. Water use data sheet by month (Exhibit 2) is for calendar year 2011.
3. Water Loss

Well Site 4 System (Bisbee Junction System)

Water usage data for the test year suggests a negative 15.08% water loss which is most unlikely based on natural law. When the issue brought to Naco Water Co. ("Naco") attention, Naco filed its Water Loss Report on December 12, 2013. Naco included its entire 2013 year water usage data. In this report, Bisbee Junction System had 11.43% water loss which exceeds 10% water loss limit.

Township System

Water usage data for the test year suggests a 12.50% water loss which exceeds 10% water loss limit. When the issue brought to Naco attention, Naco filed its Water Loss Report on December 12, 2013. Naco included its entire 2013 year water usage data. In this report, Township System had 15.90% water loss; situation is getting worse than year 2012.

Well Site 3 System (Naco Highway System)

Water usage data for the test year suggests a 15.51% water loss which exceeds 10% water loss limit. When the issue brought to Naco attention, Naco filed its Water Loss Report on December 12, 2013. Naco included its entire 2013 year water usage data. In this report, Naco High Way System does not have its complete water usage data, missing data from April to December.

Decision No. 69393

In Decision No. 69393, page 19, line 1 through 7, the Commission ordered that Naco *"filing its next rate application, it shall file a statement whether water loss has been reduced to 10% or less, and if water loss is still greater than 10% for any of its systems, it shall file with such rate case, a plan to reduce its water loss to 10% is not cost-effective, it shall submit, before filing its next rate application, a detailed cost analysis and explanation demonstrating why water loss reduction to 10% or less is not cost effective."*

Naco filed a Compliance Regarding Decision 69393 on December 12, 2013 regarding "Water Loss Reduction Statement/Plan". In this compliance filing, Naco did not provide either a water loss reduction plan or a detailed cost analysis and has not submitted any detailed explanation demonstrating why water loss reduction to 10% or less is not cost effective.

4. Storage deficiencies in the Bisbee Junction system and the Naco Highway system

In Decision No.69393, page 19, line 8 through 11, the Commission ordered that Naco “*shall file with its next rate case, a plan to resolve such storage deficiencies.*” However, Naco did not provide any plan to resolve the problem.

5. Sulfate Problem

In Decision No. 69393, the Commission ordered Naco to file a hydrologic study to determine the extent of the sulfate problem, and to determine if the sulfates can be traced to Phelps Dodge mining operation. Naco filed its Hydrology study regarding sulfate plume on December 12, 2013, however that report was issued in 2007. An update of sulfate problem status needs to be provided.

FIRST SET OF DATA REQUEST

DH 1.1 – In Attachment 2 of Naco filed its Water Loss Report on December 12, 2013, Naco indicated that Well #3 (DWR #55-203321) along with a 7,000 gallon storage tank, a 2,000 gallon pressure tank, two 5-HP booster pumps was abandoned or removed in early 2013. Please provide its original costs in order to revise Naco's plan addition/deletion table.

DH 1.2 - Naco indicated new 110,000 gallon storage, one 20,000 gallon storage tank, one 2,000 gallon pressure tank, two 25-HP, two 3.5-HP booster pumps were installed during 2013. Please provide invoices for those plant items and clarify who paid those plant improvements.