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BEFORE THE ARIZONA CORPORATION RECEIVED

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2014 OCT 17 P 1:15

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

ORIGINAL

IN THE MATTER OF THE APPLICATION OF NACO WATER COMPANY, LLC FOR A PERMANENT INCREASE TO ITS WATER RATES.

DOCKET NO. W-02860A-13-0399

STAFF'S RESPONSE TO NOTICE OF FILING POST-HEARING DOCUMENTS

Staff of the Arizona Corporation Commission ("Staff") hereby responds to Naco Water Company, LLC's ("Naco" or "Company") Notice of Filing Post-hearing Documents. First, Staff acknowledges its appreciation of the Company's effort in providing the information submitted. However, Staff would note that the comments leave two important questions unanswered.

Staff would suggest that NACO identify specifically how it plans to account for each of these two reserve funds - Debt Service Reserve ("DSR") and Repair and Replacement ("R&R") Funds. Further with regards to this accounting, Staff recommends that the Company be directed to maintain documentation explaining and supporting all instances where use of the maintenance reserve balance is requested and allowed by WIFA.

Staff would also note that the Company's comments explain how the debt reserve balance is utilized at the end of the WIFA loan, but the Comments do not clearly spell out how the reserve fund balance is to be utilized and accounted for at the end of the WIFA loan. Staff recommends that this be spelled out within the reserve accounting clarifications to be docketed herein.

RESPECTFULLY SUBMITTED this 17th day of October, 2014.

Arizona Corporation Commission

DOCKETED

OCT 17 2014

DOCKETED BY [Signature]

[Signature of Bridget A. Humphrey]

Matthew Laudone, Attorney
Bridget A. Humphrey, Attorney
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1 Original and thirteen (13) copies
of the foregoing filed this
2 17th day of October, 2014 with:

3 Docket Control
Arizona Corporation Commission
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Phoenix, Arizona 85007
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6 Copy of the foregoing mailed this
17th day of October, 2014 to:

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