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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

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JAN 23 2008

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BEFORE THE ARIZONA CORPORATION COMMISSION

6 IN THE MATTER OF THE APPLICATION OF)
7 LIVCO WATER AND SEWER COMPANY)
8 FOR A RATE APPLICATION.)
9 IN THE MATTER OF THE APPLICATION OF)
10 LIVCO WATER COMPANY FOR APPROVAL)
11 OF AUTHORITY TO ISSUE LONG TERM)
12 PROMISSORY NOTES OR BONDS AND)
13 OTHER EVIDENCE OF INDEBTEDNESS.)

DOCKET NO. W-02121A-07-0506

DOCKET NO. W-02121A-07-0688

COMPANY'S OBJECTIONS TO THE
STAFF REPORT

14 Livco Water Company, Inc. ("Livco" or the "Company"), by and through undersigned
15 counsel, respectfully provides the Company's Objection's to the Staff Report filed January 15,
16 2008:

17 1. The Company's first objection to the Staff Report is in the Staff's recommended
18 disallowance of the Company's pro-forma adjustment to reduce test year Operating Revenues by
19 \$1,201 associated with Metered Water Revenues as set forth on pages 4 and 5 of the Staff
20 Report. This is totally inappropriate. The four customers cited in the Staff Report have, in fact,
21 requested and received different meter sizes to accommodate their water demands. Those
22 changes are known and measurable changes in the Company's operations resulting in less net
23 revenue during the Adjusted Test Year, and all years going forward. This is not unlike adjusting
Test Year Revenues upward when customers are added mid-Test Year to reflect the years going
forward. This is not a "mismatch" as suggested by Staff, but a very normal adjustment for a

1 known and measurable change. The Commission should adopt the Company's downward
2 adjustment of the Test Year Revenue by \$1,201.

3 2. Staff has disallowed a \$1,361 "charitable contribution" as a Miscellaneous Expense
4 on Page 6 of the Staff Report. The Company fears the Staff was not fully apprised of the nature
5 of this expense before its disallowance. This actual Test Year expense is representative of an
6 expense the Company has incurred for the last several years which is associated with the
7 provision of water to the Lions' Park, the only part in Concho. During the Test Year the Lions'
8 Club was able to pay approximately \$2,100 of its total water bill, the shortfall being the \$3,761.
9 The Company has supported the Park for the last several years at approximately the same level,
10 2002, \$2,000; 2003, \$2,300; 2004, \$1,500; 2006, \$1,300; and 2007, \$1,400, for a six year
11 average of \$1,416 per year. This is the only Park in Concho and would be closed down if the
12 Company did not support this project. The Park has three volunteers and limited sources of fund
13 raising, so it can only afford about \$125 per month. The Company does put inserts in its bills to
14 customers urging them to support the Park, and even has a "contribution jar" at the Company's
15 office soliciting support for the Lions' Park water bill. It should be noted that if the Park
16 discontinues operations, the Company will have a larger loss in revenue, approximately \$2,200,
17 than the proposed expense. In short, the customer benefits the entire system. The Company is of
18 the opinion that this expense benefits the entire community, and the Company's customers, to
19 such an extent that public policy supports including this as an authorized expense of the
20 Company.

21 3. The Company objects to the Income Taxes allowed by Staff on Page 6 of the Staff
22 Report. We assume that the Recommended Order and Opinion in this docket will reflect the
23 appropriate Income Taxes based upon that Revenues driven computation.

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Original and fifteen copies of the foregoing filed this 23rd day of January, 2007, with
Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
Copies of the foregoing mailed this 23rd day of January, 2007 to:

Hearing Division
Arizona Corporation Commission
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Legal Division
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