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BEFORE THE ARIZONA CORPORATION C.

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

APR 24 2008

- MIKE GLEASON, Chairman
- WILLIAM A. MUNDELL
- JEFF HATCH-MILLER
- KRISTIN K. MAYES
- GARY PIERCE

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IN THE MATTER OF THE APPLICATION OF LIVCO WATER COMPANY FOR A RATE INCREASE.

DOCKET NO. W-02121A-07-0506

IN THE MATTER OF THE APPLICATION OF LIVCO WATER COMPANY FOR THE APPROVAL OF AUTHORITY TO ISSUE LONG-TERM PROMISSORY NOTES OR BONDS AND OTHER EVIDENCE OF INDEBTEDNESS.

DOCKET NO. W-02121A-07-0688

DECISION NO. 70308

ORDER

Open Meeting
April 8 and 9, 2008
Phoenix, Arizona

BY THE COMMISSION:

On August 31, 2007, Livco Water Company ("Livco" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent water rate increase in Docket No. W-02121A-07-0506 ("Rate Application").

On September 28, 2007, pursuant to A.A.C. R14-2-103, the Commission's Utilities Division ("Staff") issued a Letter of Deficiency stating that Livco's application was deficient.

On November 1, 2007, pursuant to A.A.C. R14-2-103, Staff issued a Letter of Sufficiency and classified Livco as a Class D utility.

On December 14, 2007, Livco filed a Financing Application for approval to enter into certain loan agreements necessary to fund a Water Meter Replacement Program in Docket No. W-02121A-07-0688 ("Financing Application").

By Procedural Order issued January 3, 2008, the Rate and Financing dockets were consolidated.

On January 15, 2008, Staff filed its Staff Report on the Rate and Financing Applications

1 recommending, among other things, that Staff's proposed rates and charges be approved and that the
2 Financing Application be approved.

3 On January 16, 2008, Staff filed a Notice of Errata to correct two of the rate schedules
4 attached to the Staff Report.

5 On January 23, 2008, Livco filed Objections to the Staff Report.

6 On February 1 and 15, 2008, Staff filed Responses to the Company's Objections.

7 On February 29, 2008, Livco filed the Affidavit of Publication for the Financing Application.

8 * * * * *

9 Having considered the entire record herein and being fully advised in the premises, the
10 Commission finds, concludes, and orders that:

11 **FINDINGS OF FACT**

12 1. Pursuant to authority granted by the Commission, Livco is an Arizona corporation
13 engaged in the business of providing water utility service in the communities of Old Concho
14 Townsite and Concho Valley, which are located approximately 15 miles west and 18 miles
15 southwest, respectively, of St. Johns, along Highway 61 in Apache County, Arizona.

16 2. Livco's present rates and charges for water were approved in Decision No. 68751
17 (June 5, 2006).

18 3. On August 31, 2007, Livco filed its application for an increase in rates.

19 4. On September 13, 2007, Livco filed an affidavit attesting that the Company had
20 provided public notice to its customers of the proposed rate increase by first class U.S. mail.

21 5. On September 28, 2007, Staff issued a Letter of Deficiency regarding the Rate
22 Application.

23 6. On October 12 and 18, 2007, the Company filed additional information in support of
24 the Rate Application.

25 7. On November 1, 2007, Staff issued a Letter of Sufficiency and classified Livco as a
26 Class D water utility.

27 8. On December 14, 2007, Livco filed its Financing Application.

28 9. On December 19, 2007, Staff filed a Motion to Consolidate the Rate Application and

1 Financing Application dockets, and by Procedural Order issued January 3, 2008, the dockets were
2 consolidated.

3 10. On February 29, 2008, Livco filed an affidavit of publication verifying that it had
4 published notice of its Financing Application on January 4, 2008, in the *White Mountain*
5 *Independent*.

6 11. In response to the notices, the Commission's Consumer Services Division received
7 contacts from six customers stating opposition to the proposed rate increase.

8 12. During the test year ended December 31, 2006, Livco served an average of 368
9 metered customers, the majority of which are residential users who are served by 5/8" x 3/4" meters¹.

10 13. Average and median water usage by residential users during the test year were 6,354
11 gallons and 3,122 gallons per month, respectively.

12 14. Staff conducted an investigation of Livco's proposed rates and charges for water
13 service and filed a Staff Report on the Company's rate request on January 15, 2008. Staff filed
14 corrected schedules on January 16 and February 15, 2008. On January 23, 2008, Livco filed
15 Objections to the Staff Report, and on February 1 and 15, 2008, Staff filed Responses to the
16 Company's Objections.

17 15. The water rates and charges for Livco at present, as proposed in the application, and as
18 recommended by Staff, are as follows:

	<u>Present Rates</u>	<u>Company</u>	<u>Proposed Rates Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
22 5/8" x 3/4" Meter	\$11.00	\$16.74	\$15.50
23 3/4" Meter	11.00	16.74	17.75
24 1" Meter	14.00	21.31	27.00
25 1 1/2" Meter	20.00	30.44	50.00
26 2" Meter	50.00	76.10	88.00
27 3" Meter	116.00	176.55	248.00
28 4" Meter	181.00	275.48	387.50

1 An affiliated company, Livco Sewer Company ("LSC"), provides wastewater treatment service to approximately 22 customers (as of the last rate case), 15 of which are residential users and one of which is a country club with both a one and one-half inch and a three-inch meter. LSC's wastewater rates were approved in Decision No. 68751 (June 5, 2006) pursuant to a three-year phase-in plan agreed to by LSC and Staff (See Decision No. 68751 at 10-12).

1	6" Meter	362.00	550.96	775.00
2	2" Old Concho Townsite Interconnect ²	120.00	182.64	124.00
3	Gallons included in minimum	\$0.00	\$0.00	\$0.00
4	Gallons included in minimum – Old Concho Townsite	0.00	0.00	0.00
5	<u>Commodity Rate (per 1,000 gallons):</u>			
6	<u>5/8 x 3/4 Inch Meters to 1 1/2 Inch Meters</u>			
7	Up to 4,000 gallons	\$1.10	\$1.67	N/A
8	4,001 to 10,000 gallons	1.50	2.28	N/A
9	Over 10,000 gallons	1.65	2.51	N/A
10	<u>2 Inch and Larger Meters</u>			
11	Up to 50,000 gallons	1.10	1.67	N/A
12	50,001 to 100,000 gallons	1.50	2.28	N/A
13	Over 100,000 gallons	1.65	2.51	N/A
14	<u>Old Concho Interconnect</u>			
15	Excess of Minimum per 50,000 gallons	1.10	1.67	N/A
16	50,001 to 100,000 gallons	1.50	2.28	N/A
17	Over 100,000 gallons	1.65	2.51	N/A
18	<u>5/8 x 3/4 Inch and 3/4 Inch (Residential)</u>			
19	Up to 3,000 gallons	1.10	1.67	1.25
20	3,001 to 10,000 gallons	1.50	2.28	2.00
21	Over 10,000 gallons	1.65	2.51	2.40
22	<u>5/8 x 3/4 Inch and 3/4 Inch (Commercial)</u>			
23	Up to 3,000 gallons	1.10	1.67	2.00
24	3,001 to 10,000 gallons	1.50	2.28	2.00
25	Over 10,000 gallons	1.65	2.51	2.40
26	<u>3/4 Inch (Residential)</u>			
27	Up to 3,000 gallons	1.10	1.67	1.25
28	3,001 to 10,000 gallons	1.50	2.28	2.00
29	Over 10,000 gallons	1.65	2.51	2.40
30	<u>3/4 Inch (Commercial)</u>			
31	Up to 3,000 gallons	1.10	1.67	2.00
32	3,001 to 10,000 gallons	1.50	2.28	2.00
33	Over 10,000 gallons	1.65	2.51	2.40
34	<u>1 Inch (Residential and Commercial)</u>			
35	Up to 24,000 gallons	N/A	N/A	2.00
36	Over 24,000 gallons	N/A	N/A	2.40

² The Concho Townsite is served by a master meter and is operated as a separate, consecutive system.

1	<u>1 ½ Inch (Residential and Commercial)</u>			
2	Up to 60,000 gallons	N/A	N/A	2.00
	Over 60,000 gallons	N/A	N/A	2.40
3				
4	<u>2 Inch (Residential, Commercial and Old Concho)</u>			
	Up to 150,000 gallons	N/A	N/A	2.00
5	Over 150,000 gallons	N/A	N/A	2.40
6				
7	<u>3 Inch (Residential and Commercial)</u>			
	Up to 500,000 gallons	N/A	N/A	2.00
	Over 500,000 gallons	N/A	N/A	2.40
8				
9	<u>4 Inch (Residential and Commercial)</u>			
	Up to 830,000 gallons	N/A	N/A	2.00
	Over 830,000 gallons	N/A	N/A	2.40
10				
11	<u>6 Inch (Residential and Commercial)</u>			
	Up to 1,750,000 gallons	N/A	N/A	2.00
	Over 1,750,000 gallons	N/A	N/A	2.40
12				
13	<u>Commodity Rates</u>			
	Standpipe – Bulk Water	\$3.50	\$5.33	\$5.00

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-405)

	<u>Present Rates</u>	<u>Company</u>	<u>Service Line Charge</u>	<u>Meter Installation</u>	<u>Total Recommendations</u>	
17						
18						
	5/8" x ¾"					
	Meter	\$ 500.00	\$ 500.00	\$ 370.00	\$ 130.00	\$ 500.00
19	¾" Meter	575.00	575.00	370.00	205.00	575.00
	1" Meter	660.00	660.00	420.00	240.00	660.00
20	1 ½" Meter	900.00	900.00	450.00	450.00	900.00
21	2" Meter – Turbo	1,525.00	1,525.00	580.00	945.00	1,525.00
22	2" Meter – Compound	2,220.00	2,220.00	580.00	1,640.00	2,220.00
23	3" Meter – Turbo	2,165.00	2,165.00	745.00	1,420.00	2,165.00
24	3" Meter – Compound	2,960.00	2,960.00	765.00	2,195.00	2,960.00
25	4" Meter – Turbo	3,360.00	3,360.00	1,090.00	2,270.00	3,360.00
26	4" Meter – Compound	4,265.00	4,265.00	1,120.00	3,145.00	4,265.00
27	6" Meter –					
28						

1	Turbo	6,035.00	6,035.00	1,610.00	4,425.00	6,035.00
2	6" Meter – Compound	7,750.00	7,750.00	1,630.00	6,120.00	7,750.00

SERVICE CHARGES:

5	Establishment		\$25.00	\$25.00	\$25.00	\$25.00
6	Establishment (After Hours)		40.00	40.00	40.00	40.00
7	Reconnection (Delinquent)		40.00	40.00	40.00	40.00
8	Meter Test (If Correct)		\$25.00	\$25.00	\$25.00	\$25.00
9	Deposit		*	*	*	*
10	Deposit Interest		*	*	*	*
11	Reestablishment (Within 12 Months)		**	**	**	**
12	Reestablishment (Within 12 Months after Hours)		**	**	**	**
13	NSF Check		\$25.00	\$25.00	\$25.00	\$25.00
14	Deferred Payment (Per Month)		1.50%	1.50%	1.50%	1.50%
15	Meter Reread (If Correct)		20.00	20.00	20.00	20.00
16	Moving Customer Meter (Customer Request)		***	***	***	***
17	Late Penalty Payment (Per Month)		1.50%	1.50%	1.50%	1.50%

* Per Commission rule (R14-2-403.B).

** Months off system times the monthly minimum (R14-2-403.D).

*** Per Rule A.A.C. R14-2-405(B).

16. According to the Staff Report, Staff determined Livco's original cost rate base ("OCRB") to be \$183,278, which is the same as its fair value rate base ("FVRB"). This is a \$3,400 decrease to Livco's proposed OCRB of \$186,678, due primarily to Staff's adjustment to working capital as a result of adjustments to operating expenses.

17. Staff made several adjustments to Livco's proposed test year operating revenues, resulting in an increase of \$1,201, from \$107,243 to \$108,444. Staff disallowed the Company's proposed pro-forma adjustment to post test year revenue related to meter changes, but agreed to use the test year billing determinants with the rates adopted in Decision No. 68751 which became effective during the test year.

18. Staff decreased Livco's test year operating expenses by \$4,631, to \$123,484, due to a number of minor expense adjustments to purchased power, repairs and maintenance, office supplies and expense, outside services, water testing, insurance, rate case expense, miscellaneous expense,

1 property taxes, and income taxes.

2 19. Based on Staff's analysis, Livco's present water rates and charges produced operating
3 revenues of \$108,444 and adjusted operating expenses of \$123,484, which resulted in net operating
4 income of negative \$15,040, for no return on FVRB during the test year.

5 20. The water rates and charges Livco proposed would produce adjusted operating
6 revenues of \$160,077 and adjusted operating expenses of \$139,170 resulting in operating income of
7 \$20,907 or an 11.20 percent rate of return on Livco's proposed OCRB.

8 21. The water rates and charges Staff recommended would produce operating revenues of
9 \$154,116 and adjusted operating expenses of \$133,040, resulting in operating income of \$21,076, or
10 an 11.50 percent rate of return on the \$183,278 FVRB.

11 22. Livco's proposed rate schedules would increase the average monthly customer water
12 bill by \$9.86, or 52.09 percent, from \$18.93 to \$28.79, and increase the median monthly customer
13 water bill by \$7.52, or 52.11 percent, from \$14.43 to \$21.95.

14 23. Staff's recommended rates would increase the average monthly customer water bill by
15 \$6.28, or 33.17 percent, from \$18.93 to \$25.21, and increase the median monthly customer water bill
16 by \$5.06, or 35.07 percent, from \$14.43 to \$19.49.

17 24. On January 23, 2008, Livco filed Objections to several of Staff's recommended
18 adjustments. The Company argued that the \$1,201 adjustment to water meter revenues was
19 inappropriate because the revenue changes cited in the Staff Report are known and measurable and
20 should be reflected in this rate case. Livco also disputed disallowance of a \$1,361 charitable
21 contribution associated with the Company's subsidization of part of the water bill for the Lions Park,
22 based on Livco's assertion that its contribution benefits the entire community. The Company also
23 objected to Staff's income tax calculation due to the differences in the revenue recommendations.
24 Finally, Livco objected to Staff's proposal to impose a three-tier rate design on 5/8 inch and 3/4 inch
25 meter residential customers but a rate design for 5/8 inch and 3/4 inch commercial customers that it
26 believes is unduly beneficial to commercial customers.

27 25. Based on the rationale set forth in the Staff Report for Staff's proposed adjustments
28 and rate design and in the Responses to the Objection, we believe Staff's recommendations should be

1 adopted. With respect to the \$1,201 test year revenue reduction, Staff explained that the Company's
2 pro-forma proposal included projections that were not known and measurable and created a mismatch
3 between test year revenues and expenses. Regarding the disputed charitable contribution of water for
4 the community park, Staff noted that in its bill inserts, the Company urges customers to support the
5 Lions' Club and the Park and has a "contribution jar" at its office soliciting support for the Lions'
6 Park water bill. Staff argues that through these methods, the Company has given ratepayers a choice
7 to support the Park or not, and that customers should not be forced to pay the costs if they do not
8 wish contribute. We agree that test year expenses were properly reduced by Staff. Staff's proposed
9 rate design as corrected and clarified in its February 15, 2008 filing responds to the Company's rate
10 design concern, and does not unduly benefit commercial customers.

11 26. Accordingly, we adopt the rates and charges as proposed by Staff, which include the
12 appropriate income tax expense.

13 27. Staff recommended approval of its proposed rates and charges and also recommended
14 the following:

15 (a) The Company should collect from its customers a proportionate share of any
16 privilege, sales or use tax as provided for in Arizona Administrative Code ("A.A.C.")
R-14-2-409(D).

17 (b) The Company be ordered to file with Docket Control, as a compliance item in this
18 docket, a tariff schedule of its new rates and charges within 30 days after the effective
date of the Decision in this proceeding; and

19 (c) The Company shall continue using depreciation rates by individual NARUC
20 category on a going-forward basis.

21 28. According to the Staff Engineering Report, the Company's current system can
22 adequately serve its present customer base as well as any reasonable growth.

23 29. According to the Staff Report, Livco is in compliance with Commission filing
24 requirements and prior Commission Orders.

25 30. Staff states that the Arizona Department of Environmental Quality reported no
26 deficiencies for the Company and determined that Livco's water system is currently delivering water
27 that meets the water quality standards required by A.A.C., Title 18, Chapter 4.

28 31. The Company is not within an Active Management Area, and, as such, is not subject

1 to Arizona Department of Water Resources reporting and conservation requirements.

2 32. Livco's two wells are both in compliance with the new maximum contaminant level
3 for arsenic as they both produce water below the new MCL of 10 parts per billion.

4 33. Livco has Commission-approved curtailment and back-flow prevention tariffs.

5 34. According to the Staff Report, Livco is current on the payment of its property taxes
6 and is in good standing with the Arizona Department of Revenue and the Corporations Division of
7 the Commission.

8 35. In Decision No. 68751, the Company was ordered to monitor its system and submit a
9 water loss reduction report or detailed analysis and plan to reduce its water loss to 10 percent or less.
10 According to the Staff Engineering Report, in its 2006 Annual Report, the Company submitted its
11 monitoring results which indicated a 21.1 percent water loss. The Company explained that the high
12 water losses were caused by 20-year old customer meters and a 30-year old well meter not registering
13 accurately, and that although approximately 25 percent of the customer meters have been replaced,
14 the Company did not have enough revenue to replace the remaining approximate 300 meters.

15 36. Livco plans to replace the 300 meters with new electronic sensor meters which will
16 include remote meter-reading capability.

17 37. The Company's Financing Application requests Commission approval to obtain a
18 \$124,000 loan from the Water Infrastructure Financing Authority ("WIFA") for a term of 20 years
19 and at a 6.5 percent annual interest rate. The funds from the loan will be used to replace the
20 approximate 300 meters, as well as the appurtenant facilities. Engineering Staff concluded that the
21 Water Meter Replacement Program is appropriate and the cost estimate of \$124,000 is reasonable.

22 38. Staff analyzed the Company's adjusted test year financial statements dated December
23 31, 2006, as adjusted by Staff. The Company's capital structure consisted of 100 percent equity, and
24 the drawing of the entire proposed WIFA loan would result in a pro-forma capital structure
25 comprised of 1.04 percent short-term debt, 40.43 percent long-term debt, and 58.53 percent equity.

26 39. Staff examined the effects of the proposed financing on the Company's debt service
27
28

1 coverage (“DSC”) and times interest earned (“TIER”) ratios.³ Using Staff’s recommended revenue
2 requirement and fully drawing the proposed \$124,000 loan results in pro forma DSC and TIER of
3 3.93 and 3.34, respectively. These ratios show that the Company would have adequate cash flow to
4 meet all obligations, including the proposed debt.

5 40. Staff recommended approval of the Financing Application.

6 41. Staff’s recommendations in Findings of Fact Nos. 27 and 40 are reasonable and should
7 be adopted.

8 **CONCLUSIONS OF LAW**

9 1. Livco is a public service corporation within the meaning of Article XV of the Arizona
10 Constitution and A.R.S. §§ 40-250, 40-251, 40-301, 40-302, and 40-303.

11 2. The Commission has jurisdiction over Livco and of the subject matter of the
12 application.

13 3. Notice of the applications was given in accordance with the law.

14 4. The rates and charges authorized herein are just and reasonable and should be
15 approved without a hearing.

16 5. The financing approved is for lawful purposes within Livco’s corporate powers, is
17 compatible with the public interest, with sound financial practices, and with the proper performance
18 by Livco of service as a public service corporation, and will not impair its ability to perform the
19 service.

20 6. The financing approved herein is for the purposes stated in the application, is
21 reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably
22 chargeable to operating expenses or to income.

23 7. Staff’s recommendations, as set forth in Findings of Fact Nos. 27 and 40, are
24 reasonable and should be adopted.

25 ...

26 ³ DSC represents the number of times internally generated cash cover required principal and interest payments on debt. A
27 DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations. TIER represents the number of
28 times earnings before income tax expense covers interest expense on debt. A TIER greater than 1.0 means that operating
income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long term but does not necessarily
mean that debt obligations cannot be met in the short term.

ORDER

IT IS THEREFORE ORDERED that Livco Water Company is hereby directed to file with Docket Control, as a compliance item in this docket, on or before April 30, 2008, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$15.50
3/4" Meter	17.75
1" Meter	27.00
1 1/2" Meter	50.00
2" Meter	88.00
3" Meter	248.00
4" Meter	387.75
6" Meter	775.00
2" Old Concho Townsite interconnect	124.00

Commodity Rate (per 1,000 gallons):

5/8 x 3/4 Inch and 3/4 Inch (Residential)

Up to 3,000 gallons	1.25
3,001 to 10,000 gallons	2.00
Over 10,000 gallons	2.40

5/8 x 3/4 Inch and 3/4 Inch (Commercial)

Up to 10,000 gallons	2.00
Over 10,000 gallons	2.40

3/4 Inch (Residential)

Up to 3,000 gallons	1.25
3,001 to 10,000 gallons	2.00
Over 10,000 gallons	2.40

3/4 Inch (Commercial)

Up to 10,000 gallons	2.00
Over 10,000 gallons	2.40

1 Inch (Residential and Commercial)

Up to 24,000 gallons	2.00
Over 24,000 gallons	2.40

1	<u>1 ½ Inch (Residential and Commercial)</u>	
	Up to 60,000 gallons	2.00
2	Over 60,000 gallons	2.40
3	<u>2 Inch (Residential, Commercial and Old Concho)</u>	
	Up to 150,000 gallons	2.00
4	Over 150,000 gallons	2.40
5	<u>3 Inch (Residential and Commercial)</u>	
6	Up to 500,000 gallons	2.00
	Over 500,000 gallons	2.40
7	<u>4 Inch (Residential and Commercial)</u>	
8	Up to 830,000 gallons	2.00
9	Over 830,000 gallons	2.40
10	<u>6 Inch (Residential and Commercial)</u>	
	Up to 1,750,000 gallons	2.00
11	Over 1,750,000 gallons	2.40
12	<u>Commodity Rates</u>	
13	Standpipe – Bulk Water	\$5.00

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Service Line Charge</u>	<u>Meter Installation</u>	<u>Total</u>	
17	5/8" x 3/4" Meter	\$ 370.00	\$ 130.00	\$ 500.00
18	3/4" Meter	370.00	205.00	575.00
	1" Meter	420.00	240.00	660.00
19	1 ½" Meter	450.00	450.00	900.00
	2" Meter – Turbo	580.00	945.00	1,525.00
20	2" Meter – Compound	580.00	1,640.00	2,220.00
	3" Meter – Turbo	745.00	1,420.00	2,165.00
21	3" Meter – Compound	765.00	2,195.00	2,960.00
	4" Meter – Turbo	1,090.00	2,270.00	3,360.00
22	4" Meter – Compound	1,120.00	3,145.00	4,265.00
23	6" Meter – Turbo	1,610.00	4,425.00	6,035.00
24	6" Meter – Compound	1,630.00	6,120.00	7,750.00

SERVICE CHARGES:

26	Establishment	\$25.00
	Establishment (After Hours)	40.00
27	Reconnection (Delinquent)	40.00
28	Meter Test (If Correct)	\$25.00

1	Deposit	*
	Deposit Interest	*
2	Reestablishment (Within 12 Months)	**
3	Reestablishment (Within 12 Months after Hours)	**
	NSF Check	\$25.00
4	Deferred Payment (Per Month)	1.50%
	Meter Reread (If Correct)	20.00
5	Moving Customer Meter (Customer Request)	***
6	Late Penalty Payment (Per Month)	1.50%

7 * Per Commission rule (R-14-2-403.B).

8 ** Months off system times the monthly minimum (R14-2-403.D).

9 *** Per Rule A.A.C. R14-2-405(B).

10 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service
11 provided on and after May 1, 2008.

12 IT IS FURTHER ORDERED that within 15 days of the effective date of this Order, Livco
13 Water Company shall notify its customers of the rates and charges authorized hereinabove and their
14 effective date in a form acceptable to the Commission's Utilities Division Staff.

15 IT IS FURTHER ORDERED that Livco Water Company is hereby authorized to borrow up
16 to \$124,000 from the Arizona Water Infrastructure Finance Authority for a term of 20 years, and
17 upon such other terms and interest rates as the Water Infrastructure Finance Authority may require at
18 the time it approves the loan.

19 IT IS FURTHER ORDERED that such financing authority shall be expressly contingent upon
20 Livco Water Company's use of the proceeds for the purposes stated in the application and approved
21 herein.

22 IT IS FURTHER ORDERED that Livco Water Company is authorized to engage in any
23 transactions and to execute any documents necessary to effectuate the authorization granted herein.

24 IT IS FURTHER ORDERED that Livco Water Company shall file with Docket Control, as a
25 compliance item in this docket, copies of its executed financing documents as soon as practicable but
26 no later than 120 days after the effective date of this Decision.

27 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
28 constitute or imply approval or disapproval by the Commission of any particular expenditure of the

1 proceeds derived thereby for purposes of establishing just and reasonable rates.

2 IT IS FURTHER ORDERED that Livco Water Company shall file with Docket Control, as a
3 compliance item in this docket, a document within one year of the effective date of this Decision
4 stating that the Water Meter Replacement Program has been completed.

5 IT IS FURTHER ORDERED that Livco Water Company monitor its gallons of water pumped
6 and sold each month for one full year after the Water Meter Replacement Program is completed and
7 report the monitoring results to Docket Control.

8 IT IS FURTHER ORDERED that if the reported water loss for the one year monitoring
9 period is greater than 10 percent, Livco Water Company shall prepare a report containing a detailed
10 analysis and plan to reduce water loss to 10 percent or less before filing its next rate increase
11 application.

12 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,
13 Livco Water Company shall collect from its customers a proportionate share of any privilege, sales or
14 use tax per A.C.C. R14-2-409(D).

15 IT IS FURTHER ORDERED that Livco Water Company shall continue to use the
16 depreciation rates by individual NARUC category on a going-forward basis.

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1 IT IS FURTHER ORDERED that Livco Water Company shall continue to file as part of its
2 annual report, affidavits with the Utilities Division attesting that it is current on payment of its
3 property taxes in Arizona.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
6

7 *Lawell S. Blanton* *William A. Mulek*
8 CHAIRMAN COMMISSIONER

9 *Elizabeth Hatch-Rubio* *[Signature]* *Gregory [Signature]*
10 COMMISSIONER COMMISSIONER COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
12 Director of the Arizona Corporation Commission, have
13 hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of Phoenix,
15 this 24th day of April, 2008.

16 *[Signature]*
17 BRIAN C. McNEIL
18 EXECUTIVE DIRECTOR

19 DISSENT _____

20 DISSENT _____

21 LAF:dap

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1 SERVICE LIST FOR: LIVCO WATER COPANY
2 DOCKET NOS.: W-02121A-07-0506 and W-02121A-07-0688

3
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8 Attorneys for Livco Water Company

9
10 Christopher Kempley, Chief Counsel
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12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15
16 Ernest Johnson, Director
17 Utilities Division
18 ARIZONA CORPORATION COMMISSION
19 1200 West Washington Street
20 Phoenix, Arizona 85007

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