

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



0000095231

ARIZONA CORPORATION COMMISSION
RECEIVED

ORIGINAL

April 8, 2009 APR -8 P 1:42

CERTIFIED MAIL

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Mr. Greg Sorensen, Director of Operations
Litchfield Park Service Company
12725 West Indian School Road, Suite D-101
Avondale, Arizona 85392

RE: LITCHFIELD PARK SERVICE COMPANY - APPLICATION FOR A RATE INCREASE
DOCKET NO. SW-01428A-09-0103

LETTER OF DEFICIENCY

Dear Mr. Sorensen:

In reference to your rate application received on March 9, 2009, 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 a number of deficiencies with the rate 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 15 copies of the corrected pages.

You have 15 calendar days, or until April 23, 2009, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If corrections or other arrangements are not made by that date, Staff will request the docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and 15 copies of an updated application at a later date.

The Staff person assigned to your application is Jeffrey M. Michlik. He can be reached at (602) 364-2034, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

Elijah Abinah
Assistant Director/Acting Chief Accountant
Regulatory Analysis Section
Utilities Division

EOA:JMM:tdp

CC: Docket Control Center
Vicki Wallace, Consumer Services
Delbert Smith, Engineering
Lyn Farmer, Hearing Division

Arizona Corporation Commission
DOCKETED

APR - 8 2009

DOCKETED BY

LITCHFIELD PARK SERVICE COMPANY
Rate Application
Docket Nos. W-01427A-09-0104 and SW-01428A-09-0103
Test Year Ended September 30, 2008
List of Deficiencies

The specific items that have caused a finding of deficiency are as follows:

Wastewater Division

1. The initial plant balance on Schedule B-2, page 3.11 line 40, \$14,152,803 does not reconcile to Decision No. 65536. In Decision No. 65536 the settlement summary rate base is \$8,691,827, which corresponds to Staff's surrebuttal testimony rate base summary of \$9,177,327 less a settlement adjustment of \$485,500 for the wastewater division (see attachment). Please reconcile your amount to Staff's surrebuttal testimony schedule amount for plant, and make an equal corresponding adjustment to all rate base items for the settlement adjustment of \$485,500.
2. The initial accumulated depreciation balance on Schedule B-2, page 3.12 line 40, \$1,340,894 does not reconcile to Decision No. 65536. In Decision No. 65536 the settlement summary rate base is \$8,691,827, which corresponds to Staff's surrebuttal testimony rate base summary of \$9,177,327 less a settlement adjustment of \$485,500 for the wastewater division (see attachment). Please reconcile your amount to Staff's surrebuttal testimony amount for accumulated depreciation, and make an equal corresponding adjustment to all rate base items for the settlement adjustment of \$485,500.
3. On Schedule E-5 the plant balance should be at 9/30/2007 not 12/31/2007. Schedule E-1 should reconcile to E-5, and A-3. Please correct.
4. On Schedule C-2, page 13, line 21 equity of \$53,027,765 does not match the sum of the water division Schedule E-4 in the amount of \$30,076,954 plus the waste water division equity amount of \$22,854,962 Schedule E-4. The difference is \$ 95,849 (i.e. 53,027,765 - 52,931,916). Please reconcile.
5. The bill count (Schedule H-5) does not produce the revenue shown in Schedule H-1. Specifically, there are large discrepancies pertaining to: 1) Restaurants, Motels, Grocery Stores & Dry Cleaners; and 2) Effluent or Reclaimed water. Please correct the bill count and/or revenue and/or provide a reconciliation as appropriate.
6. Referring to the application's Schedule H-4, page 23; the present rates charge per 1,000 gallons is not consistent with the authorized tariff as it should be.
7. Referring to the application's Schedule H-5, page 2; please provide the appropriate customer classification title (i.e., Residential HOA - 135 Units).
8. Referring to the application's Schedule H-5, page 3; please provide the appropriate customer classification title (i.e., Residential HOA - 160 Units).
9. Referring to the application's Schedule H-5, page 4; please provide the appropriate customer classification title (i.e., Residential HOA - 520 Units).

LITCHFIELD PARK SERVICE COMPANY
Rate Application
Docket Nos. W-01427A-09-0104 and SW-01428A-09-0103
Test Year Ended September 30, 2008
List of Deficiencies

10. Referring to the application's Schedule H-5, page 8; please provide the appropriate customer classification title (i.e., Multi-Unit Housing – 7 Units).
11. Referring to the application's Schedule H-5, page 19; please provide the appropriate customer classification title (i.e., Multi-Unit Housing – 132 Units).
12. Referring to the application's Schedule H-5, page 22; please provide the appropriate customer classification title (i.e., Small Commercial).
13. Schedule H-3, page 1, line 21 should read: Per Unit, line 22 should read: Main building. Please correct.
14. Schedule H-3, page 2, line 6 should read: NSF \$20.00. Please correct.
15. Schedule, H-3, page 2, line 31 should read: R14-2-608(D)(5).
16. The Corporations Division of the Arizona Corporation Commission reports that the Company's Corporation status is not in good standing. The Company has failed to submit its annual report that was due on January 21, 2009. Please correct.

LITCHFIELD PARK SERVICE COMPANY
ACC Docket Nos. W-01427A-01-0487 & SW-01428A-01-0487
Test Year Ended December 31, 2000

Settlement Summary

DESCRIPTION	TOTAL COMPANY	WATER DIVISION	SEWER DIVISION
Rate Base	\$14,601,802	\$5,909,975	\$8,691,827
Test Year Revenues	\$3,521,901	\$1,683,603	\$1,838,298
Test Year Expenses	2,922,213	1,611,872	1,310,341
Test Year Operating Income	\$599,688	\$71,731	\$527,957
Rate of Return Requirement	8.535%	8.535%	8.535%
Required Operating Income	\$1,246,264	\$504,416	\$741,847
Operating Income Deficiency	\$646,576	\$432,685	\$213,890
Revenue Conversion Factor	1.6834	1.6834	1.6834
Increase in Gross Revenues	\$1,088,446	\$728,383	\$360,063
Percentage Increase	30.91%	43.26%	19.59%

LITCHFIELD PARK SERVICE COMPANY
Test Year Ended 12-31-00

=====

CALCULATION OF SETTLEMENT
REVENUE REQUIREMENTS

=====

DESCRIPTION	WATER DIVISION	SEWER DIVISION
Weighted Cost of Debt	1.49%	1.49%
ACC Staff Rate Base	\$5,909,975	\$9,177,327
Settlement Adjustment		(\$485,500)
Settlement Rate Base	\$5,909,975	\$8,691,827
Interest Expense	\$88,059	\$129,508
Staff Operating Income Statement - Adjusted:		
Revenues:		
Per Staff Report	\$1,683,603	\$1,879,388
Duplicate Establishment Charges		(41,090)
Total Revenues	\$1,683,603	\$1,838,298
Operating Expenses:		
Per Staff Report - Before Inc Taxes	1,576,654	1,059,871
Plus:		
Additional Testing Expenses	5,298	
Merit Pay - 50%	20,758	
Manager's Bonus - 50%	9,027	
SunCor Overhead Expenses	10,400	
Total Operating Exp. Before Taxes	\$1,622,137	\$1,059,871
Operating Income Before Taxes	\$61,467	\$778,427
Less: Interest Expense	(88,059)	(129,508)
Taxable Income	(\$26,592)	\$648,919
Income Taxes @ 38.598%	(\$10,264)	\$250,470
Total Operating Expenses	\$1,611,872	\$1,310,341
Operating Income	\$71,731	\$527,957
Rate Base	\$5,909,975	\$8,691,827
Rate of Return	8.535%	8.535%
Operating Income Requirement	\$504,416	\$741,847
Operating Income Deficiency	432,686	213,890
Gross Revenue Conv. Factor	1.6834	1.6834
Increase In Gross Revenues	\$728,383	\$360,063
Percentage Increase	43.26%	19.59%
Rate of Return Calculation:		
	Cost	Weighted Cost
Long-Term Debt - 25.74%	5.770%	1.485%
Common Equity - 74.26%	9.494%	7.050%
Total Cost of Capital		8.535%