

ORIGINAL



0000122920

RECEIVED

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
Todd C. Wiley (No. No. 015358)
3003 N. Central Ave.
Suite 2600
Phoenix, Arizona 85012
Attorneys for Litchfield Park Service Company

2011 FEB -7 P 4: 33

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 7 2011

DOCKETED BY [Signature]

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF LITCHFIELD PARK SERVICE
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
WASTEWATER RATES AND CHARGES
FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: SW-01428A-09-0103

IN THE MATTER OF THE APPLICATION
OF LITCHFIELD PARK SERVICE
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-01427A-09-0104

IN THE MATTER OF THE APPLICATION
OF LITCHFIELD PARK SERVICE
COMPANY, AN ARIZONA
CORPORATION, FOR AUTHORITY (1) TO
ISSUE EVIDENCE OF INDEBTEDNESS IN
AN AMOUNT NOT TO EXCEED \$1,755,000
IN CONNECTION WITH (A) THE
CONSTRUCTION OF TWO RECHARGE
WELL INFRASTRUCTURE
IMPROVEMENTS AND (2) TO
ENCUMBER ITS REAL PROPERTY AND
PLANT AS SECURITY FOR SUCH
INDEBTEDNESS.

DOCKET NO. W-01427A-09-0116

1 IN THE MATTER OF THE APPLICATION
2 OF LITCHFIELD PARK SERVICE
3 COMPANY, AN ARIZONA
4 CORPORATION, FOR AUTHORITY (1) TO
5 ISSUE EVIDENCE OF INDEBTEDNESS IN
6 AN AMOUNT NOT TO EXCEED \$1,170,000
7 IN CONNECTION WITH (A) THE
8 CONSTRUCTION OF ONE 200 KW ROOF
9 MOUNTED SOLAR GENERATOR
10 INFRASTRUCTURE IMPROVEMENTS
11 AND (2) TO ENCUMBER ITS REAL
12 PROPERTY AND PLANT AS SECURITY
13 FOR SUCH INDEBTEDNESS.

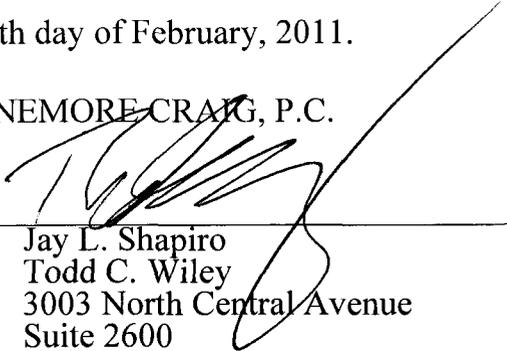
DOCKET NO. W-01427A-09-0120

NOTICE OF COMPLIANCE

8 Pursuant to Decision No. 72026 (December 10, 2010), Litchfield Park Service
9 Company ("LPSCO") hereby files this Notice of Compliance in the above-captioned
10 matter. Decision No. 72026 requires LPSCO to file a copy of its written capitalization
11 policy. See **Exhibit A** attached hereto.

12 RESPECTFULLY SUBMITTED this 7th day of February, 2011.

13 FENNEMORE CRAIG, P.C.

14 By 

15 Jay L. Shapiro
16 Todd C. Wiley
17 3003 North Central Avenue
18 Suite 2600
19 Phoenix, Arizona 85012
20 Attorneys for Litchfield Park Service
21 Company

21 **ORIGINAL** and thirteen (13) copies
22 of the foregoing were filed
23 this 7th day of February, 2011, with:

23 Docket Control
24 Arizona Corporation Commission
25 1200 W. Washington Street
26 Phoenix, AZ 85007

1 **Copy of the foregoing was hand delivered**
this 7th day of February, 2011 to:

2
3 Robin Mitchell, Esq.
4 Legal Division
5 Arizona Corporation Commission
6 1200 W. Washington Street
7 Phoenix, AZ 85007

8
9 Carmel Hood, Compliance
10 Utilities Division
11 Arizona Corporation Commission
12 1200 W. Washington Street
13 Phoenix, AZ 85007

14 **Copy of the foregoing mailed**
this 7th day of February, 2011, to:

15
16 Michelle L. Wood, Esq.
17 Residential Utility Consumer Office
18 1110 W. Washington, Suite 220
19 Phoenix, AZ 85007

20
21 Craig A. Marks, Esq.
22 Craig A. Marks, PLC
23 10645 N. Tatum Blvd., Suite 200-676
24 Phoenix, AZ 85028

25
26 William P. Sullivan, Esq.
Susan D. Goodwin, Esq.
Larry K. Udall, Esq.
Curtis, Goodwin, Sullivan, Udall & Schwab
501 E. Thomas Rd.
Phoenix, AZ 85012

Martin A. Aronson
Robert J. Moon
Morrill & Aronson, PLC
One E. Camelback Rd., Suite 340
Phoenix, AZ 85012

Chad and Jessica Robinson
15629 W. Meadowbrook Ave.
Goodyear, Arizona 85395

24
25 By: Sandra Baker
26 2392649.1/60199.009

EXHIBIT

A



Liberty Water

12725 W. Indian School Rd.
Suite D101
Avondale, AZ 85392

Capital Expenditure Policy

Proc. #:

8010-800-000-003

Description: What constitutes Capital vs. Expense items

Revision #:

1

Page: 1 of 2

Original		Document Created	
----------	--	------------------	--

Description

This policy shall govern when an item should be capitalized versus expensed. The purpose for "capitalizing" expenditures as capital assets is to provide for an equitable allocation of costs among existing and future customers. As assets are expected to provide "future economic benefits", expenditures incurred for the acquisition, construction or development of assets should be capitalized and allocated over the estimated useful lives of the associated assets in the form of amortization / depreciation. Accordingly, expenditures relating to the acquisition, construction or betterment of an asset, should be capitalized as an asset, and all other expenditures should be expensed in the accounting period incurred.

Procedure

All work orders totalling under \$500.00 in value shall be treated as an operating expense. If an invoice total is over \$500.00 it shall be classified as either an expense item or a capital item, as follows:

Capital Items:

Capital items represent a new asset or improvement to an existing asset that will have a life of more than one year. Capital expenditures are generally depreciated or depleted over their useful life, as distinguished from repairs, which are subtracted from the income of the current year.

Plant Additions:

For plant additions, both direct costs and construction overhead costs are charged to the utility plant accounts. Direct costs include utility labor, materials from inventory, payments to outside contractors and suppliers, and vehicle expenses. Construction overhead costs include engineering design fees, supervision and inspection, advertising for bids, payroll fringe benefits, and interest during construction.

Utility plant constructed by a developer and contributed to the utility is recorded the same way as other utility plant, based on detailed costs supplied by the developer. If actual costs are unavailable, the utility should estimate the costs when recording the new plant.

Betterments:

Expenditures that meet the definition of a betterment should be capitalized, while expenditures that meet the definition of an expense should be expensed.

Betterments are costs incurred to enhance the service potential of an existing capital asset. The service potential of an existing capital asset may be enhanced when there is an increase in the previous assessed physical output or service capacity, associated operating costs are lowered, the life or useful life is extended, or the quality of output is improved.



12725 W. Indian School Rd.
Suite D101
Avondale, AZ 85392

Capital Expenditure Policy

Proc. #:

8010-800-000-003

Description:

What constitutes Capital vs. Expense items

Revision #:

1

Page: 2 of 2

Expense Items:

Items with a useful life of less than one year, or improvements which will not improve an asset to more than one year shall be expensed.

Background Information

In order to accurately record and track financial information, items that do not increase the life of an asset, or do not create a long lived asset (life greater than 1 year) must be expensed in the reporting cycle in which they are incurred.

Accurate recognition of our expenditures as either capital assets or expenses is necessary to:

- (a) meet the financial reporting requirements of regulatory agencies; and
- (b) to provide accurate financial reporting to management and our shareholder.