

SW-01428A-09-0103

OPEN MEETING AGENDA ITEM

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# City of Litchfield Park

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February 22, 2011

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MAR 7 2011

Chairman Gary Pierce and Commissioners  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85006

AZ CORP COM  
Director Utilities  
Arizona Corporation Commission  
DOCKETED

MAR 7 2011

Re: Litchfield Park Service Company's Request for Rehearing  
Docket No. SW-01428A-09-0103, et al.

DOCKETED BY

Dear Chairman Pierce and Commissioners.

We understand that the Arizona Corporation Commission has granted Litchfield Park Service Company's (LPSCO) request for a rehearing on its rate application. We ask that you schedule and attend a public comment session in LPSCO's service to explain the reasons rehearing was granted and how the rehearing will be conducted. Please advise if we can facilitate securing a location for such a public comment session.

We ask that you allow all parties to present the evidence they feel you should consider on the Company's rehearing request. We understand much evidence has been presented, but there has been no opportunity to present evidence on whether the Commission acted properly in granting LPSCO an average weighted cost of capital of 7.72% on an equity rich capital structure. This is a different issue than a general discussion of possible returns LPSCO should be granted. The Commission now has made a decision and LPSCO is challenging the reasonableness and legality of that decision. The circumstances that exist today — a year after the hearing ended — are relevant to that determination.

The significant economic improvement and inflationary pressures predicted a year ago have not materialized. The Country, State and local community are only beginning to see some signs of economic recovery from the extremely deep recession experienced in 2008. Where the prime rate published this week in the Wall Street Journal remains at a low 3.25%, the Federal Funds rate is .25% and LPSCO's parent was able to borrow 50 million dollars to retire inter-company financing at 5.6%, the 7.72% return granted LPSCO in December looks very reasonable.

Finally, we ask the Commission balance the concept that a regulated utility should be given an opportunity to earn a return similar to other like businesses in the region with burdens the 64% water increase and 42% sewer increase already granted LPSCO places on the ratepayers. The City of Litchfield Park expects that, under the rates approved by Decision No. 72026, its cost for water service could increase more than 100%.

We appreciate the Commission's difficult task ahead and thank you for considering our comments.

Sincerely,

Mayor Thomas L. Schoaf  
City of Litchfield Park

Senator John Nelson  
District 12

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