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Arizona Corporation Commission

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AZ CORP COMMISSION
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 6 Phoenix, Arizona 85012
 7 Attorneys for Litchfield Park Service Company

BEFORE THE ARIZONA CORPORATION COMMISSION

8 IN THE MATTER OF THE APPLICATION
 9 OF LITCHFIELD PARK SERVICE
 10 COMPANY, AN ARIZONA
 11 CORPORATION, FOR A
 12 DETERMINATION OF THE FAIR VALUE
 13 OF ITS UTILITY PLANTS AND
 14 PROPERTY AND FOR INCREASES IN ITS
 15 WASTEWATER RATES AND CHARGES
 16 FOR UTILITY SERVICE BASED
 17 THEREON.

DOCKET NO: SW-01428A-09-0103

18 IN THE MATTER OF THE APPLICATION
 19 OF LITCHFIELD PARK SERVICE
 20 COMPANY, AN ARIZONA
 21 CORPORATION, FOR A
 22 DETERMINATION OF THE FAIR VALUE
 23 OF ITS UTILITY PLANTS AND
 24 PROPERTY AND FOR INCREASES IN ITS
 25 WATER RATES AND CHARGES FOR
 26 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.

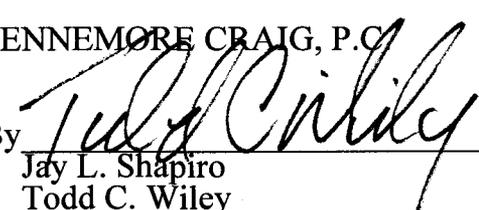
DOCKET NO. W-01427A-09-0120

**NOTICE OF FILING DIRECT
TESTIMONY FOR PHASE 2**

8 Litchfield Park Service Company hereby submits this Notice of Filing Direct
9 Testimony in the above-referenced matter. Specifically filed herewith is the Direct
10 Testimony of Gregory S. Sorensen along with supporting attachments.

11 DATED this 11th day of May, 2011.

12 FENNEMORE CRAIG, P.C.

13
14 By 

Jay L. Shapiro

Todd C. Wiley

3003 North Central Avenue, Suite 2600

Phoenix, Arizona 85012

Attorneys for Litchfield Park Service Company

17 **ORIGINAL** and thirteen (13) copies
18 of the foregoing were filed
19 this 11th day of May, 2011, with:

20 Docket Control
21 Arizona Corporation Commission
22 1200 W. Washington St.
23 Phoenix, AZ 85007

24 **COPY** of the foregoing hand-delivered
25 this 11th day of May, 2011 to:

26 Dwight Nodes
Assistant Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

1 Robin Mitchell, Esq.
Legal Division
2 Arizona Corporation Commission
1200 W. Washington Street
3 Phoenix, AZ 85007

4 Steve Olea, Director
Utilities Division
5 Arizona Corporation Commission
1200 W. Washington Street
6 Phoenix, AZ 85007

7 **Copy of the foregoing mailed**
this 11th day of May, 2011, to:

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8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 IN THE MATTER OF THE APPLICATION
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15 PROPERTY AND FOR INCREASES IN ITS
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17 FOR UTILITY SERVICE BASED
18 THEREON.

DOCKET NO: SW-01428A-09-0103

19 IN THE MATTER OF THE APPLICATION
20 OF LITCHFIELD PARK SERVICE
21 COMPANY, AN ARIZONA
22 CORPORATION, FOR A
23 DETERMINATION OF THE FAIR VALUE
24 OF ITS UTILITY PLANTS AND
25 PROPERTY AND FOR INCREASES IN ITS
26 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

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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 \$1,170,000
IN CONNECTION WITH (A) THE
CONSTRUCTION OF ONE 200 KW ROOF
MOUNTED SOLAR GENERATOR
INFRASTRUCTURE IMPROVEMENTS
AND (2) TO ENCUMBER ITS REAL
PROPERTY AND PLANT AS SECURITY
FOR SUCH INDEBTEDNESS.

DOCKET NO. W-01427A-09-0120

DIRECT TESTIMONY
OF
GREG SORENSEN
(Phase 2)
May 11, 2011

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I. INTRODUCTION AND PURPOSE OF TESTIMONY.....1
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III. HOOK-UP FEE.....3

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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Greg Sorensen. My business address is 12725 W. Indian School Road,
4 Suite D-101, Avondale, AZ 85392.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

6 A. On behalf of the Applicant Litchfield Park Service Company ("LPSCO" or
7 "Company").

8 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

9 A. I am employed by Liberty Water as Vice President of Service Delivery. In that
10 capacity I am responsible for Liberty Water's operations in Texas, Missouri,
11 Illinois, and Arizona, including operation of LPSCO in the areas of customer
12 service, operations, engineering, developer services, conservation, and human
13 resources.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

15 A. Yes, I have testified in Commission proceedings involving all of Liberty Water's
16 subsidiaries in Arizona, including Phase 1 of this rate case.

17 **Q. WHAT IS THE PURPOSE OF THIS DIRECT TESTIMONY?**

18 A. First, to set forth the Company's proposed surcharge to recover the revenue it was
19 forced to forgo when the Commission phased-in rate increases in Phase 1 of this
20 rate case. Second, to request approval of new water and revised wastewater hook-
21 up fee tariffs (HUFs).

22 **II. PHASED RATES SURCHARGE.**

23 **Q. HOW DOES LPSCO PROPOSE TO RECOVER FORGONE REVENUE
24 DURING THE PHASE-IN PERIOD?**

25 A. Through a simple surcharge of 10.98 percent for water service and 8.46 percent for
26 wastewater service.

1 **Q. HOW WOULD THE SURCHARGE BE APPLIED?**

2 A. It would be multiplied against the monthly bill. As shown in the schedule included
3 as Attachment 1, if you are a residential water customer with a 5/8 inch meter and
4 an average monthly bill of \$16.37, you would pay a surcharge of \$1.80. If you are
5 a residential sewer customer with a monthly bill of \$38.99, you would pay a
6 surcharge of \$3.30. Additional samples for residential water customers and a small
7 commercial sewer customer are shown in Attachment 1. This approach means the
8 larger your bill is, the larger the surcharge.

9 **Q. HOW WERE THE SURCHARGE PERCENTAGES DETERMINED?**

10 A. As shown in Attachment 1, the estimated forgone revenue was assumed to be
11 collected over 18 months from all of our water and sewer customers.

12 **Q. HOW DID THE COMPANY ESTIMATE THE AMOUNT OF FORGONE
13 REVENUE?**

14 A. The Company knows exactly how much revenue it has forgone during the phase-in
15 because our billing system can generate that information at any time. But we still
16 had to estimate the total amount because we have over 6 months of phase-in rates
17 remaining. That amount was assumed to be collected over 18 months, with a
18 carrying charge of 7.72 percent accruing from December 1, 2010, the day rates
19 went into effect, and continuing through the end of the surcharge collection period.
20 The 7.72 percent is the weighted average cost of capital (WACC) approved by the
21 Commission in Phase 1. This calculation resulted in the two proposed surcharge
22 amounts, 10.98 percent for water and 8.46 percent for sewer.

23 **Q. HOW MUCH REVENUE HAS LPSCO FORGONE SO FAR?**

24 A. Through April 30, 2011, the shortfall was over \$1.1 million. We will be able to
25 provide a final number at the end of 12 months, or after December 31, 2011.

26

1 **Q. WHAT IF IT TAKES MORE OR LESS THAN 18 MONTHS TO RECOVER**
2 **FORGONE REVENUE?**

3 A. We propose to reconcile the collection of the surcharge amounts with the total
4 amount to be collected after 12 months. If the amount to be collected is recovered
5 faster than 18 months, the surcharge would terminate early, once we have collected
6 the proper amount. Conversely, if it takes more than 18 months, the surcharge will
7 continue until we have recovered all of the revenue to which we were entitled. We
8 would assume that the surcharge may need to be adjusted downward the last month
9 or two to attempt to prevent any potential over-recovery. If any over-recovery does
10 occur, we would refund that difference back to our customers.

11 **Q. WHY DID YOU USE THE WACC?**

12 A. Because the Commission just determined this is our cost of money.

13 **Q. WHY 18 MONTHS?**

14 A. Because 2.5 years to be made whole for the phase-in of rate increases is fair and
15 reasonable in our view, especially given our intent to follow a cycle of rate cases
16 no less than every 3 years.

17 **III. HOOK-UP FEE.**

18 **Q. DOES LPSCO CURRENTLY HAVE A HOOK UP FEE (“HUF”) TARIFF?**

19 A. Yes, but only for the wastewater division. In this case, we propose to replace the
20 existing wastewater HUF with a new HUF in a form materially the same as the
21 water HUF.

22 **Q. OKAY, LET’S START WITH THE HUFs THEMSELVES. WHY DOES**
23 **LPSCO WANT A HUF?**

24 A. To assist the Company in equitably apportioning the cost of constructing additional
25 off-site facilities to provide water production, delivery, storage and pressure, and
26 wastewater transmission, delivery and disposal among new service connections.

1 The proposed HUFs provide partial funding of the costs for off-site facilities for
2 new service connections.

3 **Q. WHAT WILL BE THE AMOUNT OF THE HUF?**

4 A. For the Water Division, the HUFs will be based on meter size. As set forth in the
5 proposed Water HUF, the HUFs will be \$1,800 for a 5/8 inch meter, \$2,700 for a
6 3/4 inch meter, and \$4,500 for a 1 inch meter. See Attachment 2.

7 For the Wastewater Division, the HUF will be \$1,800 per Equivalent
8 Residential Unit ("ERU"). See Attachment 3. The current HUF for the
9 Wastewater Division is \$2,450 per ERU.

10 **Q. WHAT FACTORS DID THE COMPANY CONSIDER TO ARRIVE AT**
11 **THESE AMOUNTS?**

12 A. There are basically three factors that we considered. First, we desire to keep
13 customer rates within a reasonable range, while allowing the Company an
14 opportunity to recover its operating costs and earn a reasonable return on the fair
15 value of its rate base. We considered the historical costs of plant per customer for
16 sewer and water utility service in our system. We also considered our estimated
17 reasonable costs for increased capacity and off-site facilities for new service
18 connections.

19 The second factor is fairness. Ideally, all customers within a class should
20 pay the same amount because each customer is contributing to the same extent to
21 the operating and administrative costs of the utility and each customer is providing
22 a like amount in support of the return on rate base. In other words, each customer
23 within that class is paying his or her cost of service. Hence, each customer (old
24 and new) should have approximately the same amount of utility investment
25 dedicated to its needs, with the balance of the capital required to furnish service
26 funded by the developer.

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The third factor is responsible management of our capital structure. As stated, we want to maintain a reasonable balance between the different funding sources supporting our infrastructure consistent with good utility practices. We believe that the level of CIAC generated by the proposed HUFs, combined with AIAC, Debt and Equity, will maintain a healthy capital structure, while fairly allocating capital costs and the risk of future growth.

Q. HOW DOES THE REQUESTED HUF DIFFER FROM LPSCO'S CURRENT WASTEWATER HUF?

A. In addition to some general changes in language, there are two significant additions. First, we have added another tier for "Active Adult" communities. This was done in cooperation with intervener Pebble Creek. Pebble Creek develops adult communities in our service territory and rightfully pointed out the differences between a typical single family home and an individual dwelling in an active-adult community. As a result, the HUF for the single family home is higher than the HUF for the active-adult home.

Q. WHAT IS THE SECOND DIFFERENCE?

A. We have included the same language recently approved for Bella Vista Water's HUF regarding rate base treatment of HUFs. Simply, this language provides that HUFs are not deducted from rate base while they are sitting in a segregated bank account waiting to be used for one of the HUF's authorized uses.

Q. WHY SHOULD THE COMMISSION APPROVE THIS LANGUAGE?

A. Because it eliminates an unintended consequence of HUF tariffs, detrimental to the utility, yet unnecessary to ensure that the utility does not earn a return on CIAC.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

ATTACHMENT 1

Litchfield Park Service Company
Phase-in Surcharge Calculation - Water

- [1] Total water rate revenue before increase \$ 6,751,188 (excludes other revenues)
- [2] Water rate increase per Decision \$ 4,388,891 (excludes other revenues)
- [3] Total water rate revenues after rate increase \$ 11,140,079 (excludes other revenues)

- [4] Total monthly rate increase [2]/[12] \$ 365,741
- [5] Phase 1 - First 6 months 50%
- [6] Phase 2 - Next 6 months 75%
- [7] Phase 3 - Thereafter 100%

[8] Interest Rate (WACC per Decision) 7.72%

	Yr 1 Collected	Cummulative Yr 1 Collected	Cummulative Yr 1 Uncollected w/o Interest	Cummulative Yr 1 Uncollected with interest	Yr 1 Interest	Cummulative Yr 1 Interest
Month 1	\$ 182,870	\$ 182,870	\$ 182,870	\$ 182,870	\$ 1,176	\$ 1,176
Month 2	\$ 182,870	\$ 365,741	\$ 365,741	\$ 366,917	\$ 2,361	\$ 3,537
Month 3	\$ 182,870	\$ 548,611	\$ 548,611	\$ 552,148	\$ 3,552	\$ 7,089
Month 4	\$ 182,870	\$ 731,482	\$ 731,482	\$ 738,571	\$ 4,751	\$ 11,841
Month 5	\$ 182,870	\$ 914,352	\$ 914,352	\$ 926,193	\$ 5,959	\$ 17,799
Month 6	\$ 182,870	\$ 1,097,223	\$ 1,097,223	\$ 1,115,022	\$ 7,173	\$ 24,972
Month 7	\$ 274,306	\$ 1,371,528	\$ 1,188,658	\$ 1,213,630	\$ 7,808	\$ 32,780
Month 8	\$ 274,306	\$ 1,645,834	\$ 1,280,093	\$ 1,312,873	\$ 8,446	\$ 41,226
Month 9	\$ 274,306	\$ 1,920,140	\$ 1,371,528	\$ 1,412,755	\$ 9,089	\$ 50,315
Month 10	\$ 274,306	\$ 2,194,446	\$ 1,462,964	\$ 1,513,279	\$ 9,735	\$ 60,050
Month 11	\$ 274,306	\$ 2,468,751	\$ 1,554,399	\$ 1,614,449	\$ 10,386	\$ 70,437
Month 12	\$ 274,306	\$ 2,743,057	\$ 1,645,834	\$ 1,716,271	\$ 11,041	\$ 81,478
Balances at end of 12 Months (Year 1)		[9] \$ 2,743,057	[10] \$ 1,645,834	[11] \$ 1,727,312		[12] \$ 81,478

[13] Total uncollected with interest at end of Year 1 = [11]

[14] Monthly amount to be collected over next 18 months =PMT([8]/12,18,-[13])

[15] Total amount to be collected including interest [14] x 18

[16] Total interest charges [15] - [10]

Computation of Surcharge Rate

- [17] Monthly surcharge revenues = [14]
- [18] Monthly revenues after rate increase [3]/[12]
- [19] Surcharge rate per dollar of total monthly revenues [17]/[18]

Sample Bills

	5/8x3/4 Inch Residential	3/4 Inch Residential	1 Inch Residential
Gallons	4,661	8,909	8,209
Average Monthly Bill	\$ 16.37	\$ 26.29	\$ 46.20
% Surcharge	10.98%	10.98%	10.98%
Surcharge	\$ 1.80	\$ 2.89	\$ 5.07
Total Average Monthly Bill with Surcharge	\$ 18.17	\$ 29.18	\$ 51.27

Litchfield Park Service Company
Phase-in Surcharge Calculation - Wastewater

- [1] Total Sewer Rate Revenue Before Increase \$ 6,190,260 (excludes other revenues and effluent sales)
- [2] Sewer Rate Increase per Decision \$ 2,697,269 (excludes other revenues and effluent sales)
- [3] Total Sewer Rate Revenues After Rate Increase \$ 8,887,529 (excludes other revenues and effluent sales)

- [4] Total monthly rate increase [2]/[12] \$ 224,772
- [5] Phase 1 - First 6 months 50%
- [6] Phase 2 - Next 6 months 75%
- [7] Phase 3 - Thereafter 100%

- [8] Interest Rate (WACC per Decision) 7.72%

	Yr.1 Collected	Cummulative Yr.1 Collected	Cummulative Yr.1 Uncollected w/o Interest	Cummulative Yr.1 Uncollected with interest	Yr.1 Interest	Cummulative Yr.1 Interest
Month 1	\$ 112,386	\$ 112,386	\$ 112,386	\$ 112,386	\$ 723	\$ 723
Month 2	\$ 112,386	\$ 224,772	\$ 224,772	\$ 225,495	\$ 1,451	\$ 2,174
Month 3	\$ 112,386	\$ 337,159	\$ 337,159	\$ 339,332	\$ 2,183	\$ 4,357
Month 4	\$ 112,386	\$ 449,545	\$ 449,545	\$ 453,902	\$ 2,920	\$ 7,277
Month 5	\$ 112,386	\$ 561,931	\$ 561,931	\$ 569,208	\$ 3,662	\$ 10,939
Month 6	\$ 112,386	\$ 674,317	\$ 674,317	\$ 685,256	\$ 4,408	\$ 15,347
Month 7	\$ 168,579	\$ 842,897	\$ 730,510	\$ 745,858	\$ 4,798	\$ 20,146
Month 8	\$ 168,579	\$ 1,011,476	\$ 786,703	\$ 806,849	\$ 5,191	\$ 25,336
Month 9	\$ 168,579	\$ 1,180,055	\$ 842,897	\$ 868,233	\$ 5,586	\$ 30,922
Month 10	\$ 168,579	\$ 1,348,635	\$ 899,090	\$ 930,012	\$ 5,983	\$ 36,905
Month 11	\$ 168,579	\$ 1,517,214	\$ 955,283	\$ 992,188	\$ 6,383	\$ 43,288
Month 12	\$ 168,579	\$ 1,685,793	\$ 1,011,476	\$ 1,054,764	\$ 6,786	\$ 50,074
Balances at end of 12 Months (Year 1)		[9] \$ 1,685,793	[10] \$ 1,011,476	[11] \$ 1,061,550		[12] \$ 50,074

- [13] Total uncollected with interest at end of Year 1 = [11] \$ 1,061,550

- [14] Monthly amount to be collected over next 18 months =PMT([8]/12,18,-[13]) \$ 62,645

- [15] Total amount to be collected including interest [14] x 18 \$ 1,127,607

- [16] Total interest charges [15] - [10] \$ 116,131

Computation of Surcharge Rate

- [17] Monthly surcharge revenues = [14] \$ 62,644.81
- [18] Monthly revenues after rate increase [3]/[12] \$ 740,627.44
- [19] Surcharge rate per dollar of total monthly revenues [17]/[18] 8.4583%

Sample Bills

	Residential	Small Commercial
Monthly Bill	\$ 38.99	\$ 65.93
% Surcharge	8.46%	8.46%
Surcharge	\$ 3.30	\$ 5.58
Total Monthly Bill with Surcharge	\$ 42.29	\$ 71.51

ATTACHMENT 2

		Revised	SHEET NO.	
Litchfield Park Service Company		Revised	SHEET NO.	
(Name of Company)				
	(Name of Service Area)			

WATER HOOK-UP FEE

I. Purpose and Applicability

The purpose of the off-site hook-up fees payable to Litchfield Park Service Company - Water Division ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement entered into after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

"Company" means Litchfield Park Service Company – Water Division.

"Main Extension Agreement" means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities necessary to the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfers ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential, commercial, industrial or other uses, regardless of meter size.

ISSUED:			EFFECTIVE:	
	Month Day Year			Month Day Year
		ISSUED BY: Greg Sorensen, Operator Litchfield Park Service Company		
		12725 W. Indian School Road, Suite D-101 Avondale, AZ 85392		
		Decision No.		

		Revised	SHEET NO.	
Litchfield Park Service Company		Revised	SHEET NO	
(Name of Company)				
	(Name of Service Area)			

III. Water Hook-up Fee

For each new service connection, the Company shall collect an off-site hook-up fee derived from the following table:

OFF-SITE WATER HOOK-UP FEE TABLE		
Meter Size	Size Factor	Total Fee(a)
5/8" x 3/4"	1	\$1,800
3/4"	1.5	\$2,700
1"	2.5	\$4,500
1-1/2"	5	\$9,000
2"	8	\$14,400
3"	16	\$28,800
4"	25	\$45,000
6" or larger	50	\$90,000

(A) For "Active Adult" communities with demonstrated age-restricted zoning and/or CCRs providing for age-restricted living, the Total Fee shall be Two-Thirds (2/3) of the Total Fee shown above, based on an ERU factor of 190 gallons per day.

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge).

(B) Use of Off-Site Hook-up Fee: Off-site hook-up fees may only be used to pay for capital items of Off-site Facilities, or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site hook-up fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under the tariff as CIAC; however, such amounts shall not be deducted from rate base until such amounts have been expended for plant.

(C) Time of Payment:

- 1) For those requiring a Main Extension Agreement: In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the Hook-Up Fees required hereunder shall be made by the Applicant, Developer or Builder no later than within 15 calendar days after

ISSUED:		EFFECTIVE:	
Month Day Year		Month Day Year	
	ISSUED BY: Greg Sorensen, Operator Litchfield Park Service Company 12725 W. Indian School Road, Suite D-101 Avondale, AZ 85392		
	Decision No.		

		Revised	SHEET NO.	
<u>Litchfield Park Service Company</u>		Revised	SHEET NO.	
(Name of Company)				
	(Name of Service Area)			

receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

2) For those connecting to an existing main: In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the Hook-Up Fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.

(F) Large Subdivision/Development Projects: In the event that the Applicant, Developer or Builder is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its reasonable discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's, Developer's or Builder's construction schedule and water service requirements. In the alternative, the Applicant, Developer, or Builder shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company as Hook-Up Fees pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

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(I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up Fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Hook-Up Fee status report each January to Docket Control for the prior twelve (12) month period, beginning January 2012, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

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ATTACHMENT 3

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WASTEWATER HOOK-UP FEE

I. Purpose and Applicability

The purpose of the off-site facilities hook-up fees payable to Litchfield Park Service Company – Wastewater Division (“the Company”) pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities to provide wastewater treatment and disposal facilities among all new service laterals. These charges are applicable to all new service laterals undertaken via Collection Main Extension Agreements, or requests for service not requiring a Collection Main Extension Agreement, entered into after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company’s establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-601 of the Arizona Corporation Commission’s (“Commission”) rules and regulations governing sewer utilities shall apply interpreting this tariff schedule.

“Applicant” means any party entering into an agreement with Company for the installation of wastewater facilities to serve new service laterals, and may include Developers and/or Builders of new residential subdivisions, and industrial or commercial properties.

“Company” means Litchfield Park Service Company – Wastewater Division.

“Collection Main Extension Agreement” means an agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of wastewater facilities necessary to serve new service laterals, or install wastewater facilities to serve new service laterals and transfer ownership of such wastewater facilities to the Company, which agreement does not require the approval of the Commission pursuant to A.A.C. R-14-2-606, and shall have the same meaning as “Wastewater Facilities Agreement”.

“Off-site Facilities” means the wastewater treatment plant, sludge disposal facilities, effluent disposal facilities and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include lift stations, force mains, transportation mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and benefit the entire wastewater system.

“Service Lateral” means and includes all service laterals for single-family residential, commercial, industrial or other uses.

III. Wastewater Hook-up Fee

For each new residential service lateral, the Company shall collect a Hook-Up Fee of \$1,800 based on the Equivalent Residential Unit (“ERU”) of 320 gallons per day. Commercial and industrial applicants shall pay

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based on the total ERUs of their development calculated by dividing the estimated total daily wastewater capacity usage needed for service using standard engineering standards and criteria by the ERU factor of 320 gallons per day. For "Active Adult" communities with demonstrated age-restricted zoning and/or CCRs providing for age-restricted living, the Hook-Up Fee shall be \$1,070, based on an ERU factor of 190 gallons per day.

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Facilities Hook-up Fee: The off-site facilities hook-up fee may be assessed only once per parcel, service lateral, or lot within a subdivision (similar to a service lateral installation charge).

(B) Use of Off-Site Facilities Hook-up Fee: Off-site facilities hook-up fees may only be used to pay for capital items of Off-site Facilities, or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site hook-up fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under the tariff as CIAC; however, such amounts shall not be deducted from rate base until such amounts have been expended for plant.

(C) Time of Payment:

(1) In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Collection Main Extension Agreement, payment of the fees required hereunder shall be made by the Applicant, Developer or Builder within 15 days of execution of a Main Extension Agreement.

(2) In the event that the Applicant, Developer or Builder for service is not required to enter into a Collection Main Extension Agreement, the Hook-Up Fee charges hereunder shall be due and payable at the time wastewater service is requested for the property.

(D) Off-Site Facilities Construction by Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Developer or Builder shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide wastewater service to any Developer, Builder or other

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applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company connect service or otherwise allow service to be established if the entire amount of any payment has not been paid.

(F) Large Subdivision and/or Development Projects: In the event that the Applicant, Developer or Builder is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its reasonable discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's, Developer's or Builder's construction schedule and water service requirements. In the alternative, the Applicant, Developer, or Builder shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company pursuant to the off-site facilities hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site facilities hook-up fees shall be deposited into a separate account and bear interest and shall be used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities.

(I) Off-Site Facilities Hook-up Fee in Addition to On-site Facilities: The off-site facilities hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Collection Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site facilities hook-up fees, or if the off-site facilities hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Facilities Hook-Up Fee status report each January to Docket Control for the prior twelve (12) month period, beginning January 2012, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and an itemization of all facilities that have been installed using the tariff funds during the 12 month period.

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