ORIGINAL

0000126168

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2011 JUN -6 P 2: 18

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED
JUN 6 2011
DOCKETED BY

COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTIITY 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 UILITY SERVICES 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 IMPROVEMETNS AND (2) TO ENCUMBER ITS REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	DOCKET NO. W-01427A-09-0116
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 **STAFF'S NOTICE OF FILING DIRECT TESTIMONY (PHASE 2)**

. . .

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files the Direct testimony of Staff witnesses Jeffrey M. Michlik and Marlin Scott, Jr. in the above-referenced matter.

RESPECTFULLY SUBMITTED this 6th day of June, 2011.

Robin R. Mitchell, Staff Attorney
Kimberly Ruht, Staff Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies of the foregoing were filed this 6th day of June, 2011, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies of the foregoing were mailed and/or emailed this 6th day of June, 2011 to:

Jay L. Shapiro
Todd C. Riley
FENNEMORE CRAIG, PC
3003 N. Central Avenue, Suite 2600
Phoenix, Arizona 85012
Attorneys for Litchfield Park Service Co.
jshapiro@fclaw.com

Michelle Wood
RUCO
1110 West Washington, Suite 220
Phoenix, Arizona 85007
mwood@azruco.gov

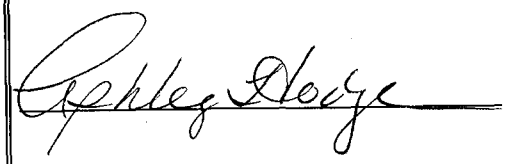
Peter M. Gerstman
Executive Vice-President, General Counsel
Robson Communities
9532 East Riggs Road
Sun Lakes, Arizona 85248

Martin A. Aronson
Robert J. Moon
MORRILL & ARONSON, PLC
One East Camelback Road, Suite 340
Phoenix, Arizona 85012
Attorneys for Pebblecreek Properties
Limited Partnership
maronson@maazlaw.com

William P. Sullivan
Larry K. Udall
CURTIS GOODWIN SULLIVAN
UDALL & SCHWAB, P.L.C.
501 East Thomas Road
Phoenix, Arizona 85012-3205
Attorneys for City of Litchfield Park
wsullivan@cgsuslaw.com

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

Craig A. Marks
CRAIG A. MARKS, PLC
10645 N. Tatum Blvd., Suite 200-676
Phoenix, Arizona 85028
Attorney for Westcor/Goodyear LLC
and Globe Land Investors, LLC
craig.marks@azbar.org



BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE 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

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 INDEDBTEDNESS.	)	DOCKET NO. W-01427A-09-0120

DIRECT

TESTIMONY

(PHASE 2)

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 6, 2011

TABLE OF CONTENTS

Page

INTRODUCTION 1

BACKGROUND 1

ANALYSIS 2

EXECUTIVE SUMMARY
LITCHFIELD PARK SERVICE COMPANY
DOCKET NO. SW-01428A-09-0103, et al.

This testimony of Staff witness Mr. Jeffery M. Michlik addresses the Litchfield Park Service Company – Water Division ("Company") proposed method for recovering the forgone revenue and associated carrying charges resulting from the phased-in rate process authorized in Phase 1 of the rate case. The testimony of Staff witness Mr. Marlin J. Scott Jr. presents Staff's recommendation regarding the hook-up fees.

Phased Rates Surcharge:

Staff is in agreement with the Company's proposed methodology to recover the forgone revenues and associated carrying charges. The Company's methodology anticipates collecting surcharges over an 18-month period to begin after December 31, 2011, equal to 10.98 percent of each customer's regular monthly water bill and equal to 8.46 percent of each customer's regular monthly wastewater bill. The Company acknowledges that actual recovery may require a period slightly longer or shorter than 18 months and it intends to evaluate the progress after 12 months. The Company also intends to adjust the bills, if necessary, at the end of the recovery period to true-up the collections to equal forgone revenues and carrying charges. The water surcharge for a typical 5/8-inch meter with an average usage of 4,661 gallons is $1.80, and the total bill is $18.17 ($1.80 surcharge + $16.37 permanent charge). The wastewater surcharge for a residential customer is $3.30, and the total bill is $42.29 ($3.30 surcharge + $38.99 permanent charge).

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same analyst who testified in Phase 1 of this case?

A. Yes.

Q. What is the scope of your testimony in Phase 2 of this case?

A. I am presenting Staff's analysis regarding Litchfield Park Service Company's ("LPSCO" or "Company") proposed methodology for recovering the forgone revenue and associated carrying charges resulting from the phased-in rate process authorized in Phase 1 of the rate case. The testimony of Staff witness Mr. Marlin J. Scott Jr. presents Staff's recommendation regarding the hook-up fees.

BACKGROUND

Q. Please discuss the background of this application.

A. By way of a Procedural Order, dated November 23, 2009, the case was bifurcated into two phases. According to the Procedural Order, Phase 1 would consider issues related to the rate and finance applications, and Phase 2 would address LPSCO's proposed hook-up fee tariff.

Decision No. 72026, dated December 10, 2010, concluded Phase 1 of the rate case and held the docket open for Phase 2 consideration of not only the hook-up fee but also the collection of foregone revenues and associated carrying charges resulting from the

authorized phase-in of rates. Finding of Fact No. 41 states: "A phase-in of rates that will allow rates reflecting 50 percent of authorized rates for the first six months; an additional 25 percent (75 percent of authorized revenues) for the second six months rates are in effect; and the full rates one year after the effective date of the rates in this Decision, is reasonable and shall be adopted. Collection of the foregone revenues and associated carrying charges should be accomplished through separate water and wastewater surcharges through consideration in Phase 2 of this proceeding."

On May 2, 2011, a procedural schedule was issued for Phase 2 directing the Company to file direct testimony by May 5, 2011, Staff and intervenors to file direct testimony by June 6, 2011, and the Company to file rebuttal testimony by June 17, 2011.

ANALYSIS

Q. Have you reviewed the Direct Testimony of Company witness Greg Sorensen, dated May 11, 2011?

A. Yes.

Q. Is Staff in agreement with the Company's proposed methodology for recovering the forgone revenue and associated carrying charges resulting from the phased-in rate process authorized in Phase 1 of the rate case?

A. Yes.

Q. Please provide a summary of the Company-proposed methodology for recovering the forgone revenue and associated carrying charges resulting from the phased-in rate process authorized in Phase 1 of the rate case.

A. The Company's methodology anticipates collecting surcharges over an 18-month period to begin after December 31, 2011, equal to 10.98 percent of each customer's regular monthly water bill and equal to 8.46 percent of each customer's regular monthly wastewater bill. The Company acknowledges that actual recovery may require a period slightly longer or shorter than 18 months and it intends to evaluate the progress after 12 months. The Company also intends to adjust the bills, if necessary, at the end of the recovery period to true-up the collections to equal forgone revenues and carrying charges. The water surcharge for a typical 5/8-inch meter with an average usage of 4,661 gallons is $1.80, and the total bill is $18.17 ($1.80 surcharge + $16.37 permanent charge). The wastewater surcharge for a residential customer is $3.30, and the total bill is $42.29 ($3.30 surcharge + $38.99 permanent charge).

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

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 OT 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

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 OT 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

MARLIN SCOTT, JR

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 6, 2011

INTRODUCTION

Q. Please state your name, place of employment and job title.

A. My name is Marlin Scott, Jr. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Utilities Engineer.

Q. Are you the same Marlin Scott, Jr. who testified on behalf of the Utilities Division for the Litchfield Park Service Company - Phase 1 of this rates/financing proceeding?

A. Yes.

Q. What was the purpose of that Phase 1 testimony?

A. My Phase 1 testimony provided the Utilities Division Staff ("Staff") engineering evaluation of Litchfield Park Service Company – Water and Wastewater Divisions ("Company") for the rates/financing proceeding.

PURPOSE OF PHASE 2 TESTIMONY

Q. What is the purpose of your Direct Testimony for Phase 2 at this time?

A. Staff's Phase 2 testimony is in response to the Company's filing regarding Off-Site Water and Wastewater Hook-Up Fee ("HUF") Tariffs.

HOOK-UP FEE TARIFFS

Q. Have you reviewed the direct testimony of Mr. Greg Sorensen regarding Off-Site Water and Wastewater Hook-Up Fee Tariffs?

A. Yes.

Q. What was Mr. Sorensen's testimony regarding the Water Hook-Up Fee Tariff?

A. Mr. Sorensen stated that the requested Water HUF Tariff is a new tariff with fees starting at $1,800 for a 5/8 x 3/4-inch meter and graduated upward for larger meter sizes. Mr. Sorensen also pointed out that the proposed Tariff includes a tier fee for "Active Adult" communities to accommodate the request of intervener Pebble Creek and included the same language approved for Bella Vista Water Company's HUF Tariff regarding rate base treatment of HUFs in Decision No. 72251, dated April 7, 2011.

Q. What is Staff's response to this Water HUF Tariff?

A. In the Phase 1 proceeding, Staff requested and obtained data related to how the $1,800 fee was determined and supporting documents for the tier fee for Active Adult communities. Staff found these requested items to be reasonable.

The requested Water HUF Tariff is basically the same tariff as the one approved for Bella Vista with one exception; in Section Part IV(F), the Company added the following last sentence, "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." Staff found this additional language reasonable.

Q. What is Staff's recommendation regarding the Company's proposed Water HUF Tariff?

A. Staff recommends that the Company's proposed Water HUF Tariff be approved.

Q. What was Mr. Sorensen's testimony regarding the Wastewater Hook-Up Fee Tariff?

A. Mr. Sorensen stated that the Company currently has an approved Wastewater HUF Tariff and is requesting a new tariff in a form materially the same as the Water HUF Tariff. This new Tariff includes fees starting at $1,800 per Equivalent Residential Unit ("ERU") which is a decrease from the current fees of $2,450 per ERU. The proposed Wastewater HUF Tariff also includes the Active Adult fee, rate base treatment of HUFs, and the additional language in Section Part IV(F) of the above Water HUF Tariff.

Q. What is Staff's recommendation regarding the Company's proposed Wastewater HUF Tariff?

A. Staff's recommends that the Company's proposed Wastewater HUF Tariff be approved.

Q. Does this conclude your Direct Testimony?

A. Yes.