

ORIGINAL

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION  
RECEIVED

COMMISSIONERS

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AZ CORP COMMISSION  
DOCKET CONTROL

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 AND 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

Arizona Corporation Commission

DOCKETED

JUN 6 2011

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

**DOCKET NO. W-01427A-09-0120**

**CITY OF LITCHFIELD PARK'S  
COMMENTS TO COMPANY'S  
DIRECT TESTIMONY**

9 The City of Litchfield Park (the "City") hereby provides comments to Litchfield  
10 Park Service Company's ("LPSCO" or "Company") Direct Testimony for Phase 2 filed May  
11 11, 2011. The City does not plan to present a witness in Phase 2, but offers the following  
12 comments on LPSCO's proposal for Phase 2.

13 **HOOK-UP FEES**

14 The City supports the continuation of a Sewer Hook-Up Fee and the imposition  
15 of a Water Hook-Up Fee. In view of the fact that the Company is now proposing a lesser  
16 Hook-Up for Active Adult communities, the City supports having all fee schedules increased  
17 so that the total revenues that were projected to be collected by the Hook-Up fees as  
18 originally proposed is still collected by the fees. The City has no further comments on the  
19 Hook-Up Fee Tariffs as proposed by the Company at this time.

20 **COLLECTION OF DEFERRED REVENUES**

21 The City supports LPSCO's proposal to calculate the level of deferred revenues  
22 using actual billings generated in 2011. This will provide a sum certain rather than an  
23 estimate.

24 The City, however, recommends that interest be calculated on the uncollected  
25 amount only after it is reduced by the tax conversion factor used by the Commission for the

1 respective divisions (1.6486 –water; 1.6397 – sewer). The sole purpose of the gross up is to  
2 provide cash necessary to pay income taxes. Since a lesser amount of revenues were  
3 collected, a lesser tax obligation can be anticipated. It is unreasonable to have the consumers  
4 pay LPSCO interest on monies it was authorized to collect solely in order to pay taxes, when  
5 the tax liability therefore is also being deferred.

6 This adjustment is made by dividing the monthly uncollected sum by the  
7 applicable tax conversion factor before applying the authorized interest rate. The impact of  
8 this proposal on the Company's proposed methodology is shown on Exhibit A for the Water  
9 Division and Exhibit B for the Wastewater division. The impact reduces the uncollected  
10 amount from \$1,834,797 to \$1,792,594 (or \$ 42,203) for the Water Division and from  
11 \$1,127,607 to 1,101,847 (or \$25,760) for the Wastewater Division; a cumulative reduction  
12 for both Divisions of \$67,963. It also reduces the percentage surcharge slightly (from  
13 10.9802% to 10.73% and from 8.4583% to 8.26%, respectively for the water and wastewater  
14 divisions).

15 The City respectfully requests the Commission consider the foregoing  
16 refinements to LPSCO's proposal.

17 DATED this 6th day of June, 2011.

18  
19 CURTIS, GOODWIN, SULLIVAN,  
20 UDALL & SCHWAB, P.L.C.

21 By:   
22 William P. Sullivan  
23 Susan D. Goodwin  
24 Larry K. Udall  
25 501 East Thomas Road  
Phoenix, Arizona 85012-3205  
Attorneys for the City of Litchfield Park

1 **PROOF OF AND CERTIFICATE OF MAILING**

2 I hereby certify that on this 6th day of June, 2011, I caused the foregoing document to  
3 be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies  
4 of the above to:

5 Docket Control  
6 Arizona Corporation Commission  
7 1200 West Washington  
8 Phoenix, Arizona 85007

9 COPY of the foregoing e-mailed  
10 this 6<sup>th</sup> day of June, 2011 to:

11 Janice Alward, Esq.  
12 Legal Division  
13 Arizona Corporation Commission  
14 1200 West Washington  
15 Phoenix, Arizona 85007

16 Dwight D. Nodes  
17 Administrative Law Judge  
18 Hearing Divisions  
19 Arizona Corporation Commission  
20 1200 West Washington  
21 Phoenix, Arizona 85007

22 Steve Olea, Director  
23 Utilities Division  
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4 Phoenix, Arizona 85028

5 Copies of the foregoing mailed this  
6 6<sup>th</sup> day of June, 2011 to:

7 Chad & Jessica Robinson  
8 15629 W. Meadowbrook Ave.  
9 Goodyear, Arizona 85395

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M 831-91-9-10 Pleadings\City's Comments on Phase 2 06 06 11

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**EXHIBIT A**



**EXHIBIT B**

LPCO Wastewater Division

Authorized Revenue Increase	\$ 2,697,269
Total Monthly Rate Increase	\$ 224,772
Phase 1 - First Six Months (50%)	\$ 112,386
Phase 2 - Next 6 months (75%)	\$ 168,579
Phase 3 - Thereafter (100%)	\$ 224,772

	Yr 1 Collected	Cumulative Yr 1 Collected	Cumulative Yr 1 Uncollected w/o Interest	Adjusted for Conversion Factor	Yr1 Uncollected w/ Interest	Cumulative Yr 1 Interest	Cumulative Yr 1 Interest
Month 1	\$ 112,386	\$ 112,386	\$ 112,386	\$ 68,541	\$ 112,386	\$ 441	\$ 441
Month 2	\$ 112,386	\$ 224,772	\$ 224,772	\$ 137,081	\$ 225,213	\$ 882	\$ 1,323
Month 3	\$ 112,386	\$ 337,159	\$ 337,159	\$ 205,622	\$ 338,481	\$ 1,323	\$ 2,646
Month 4	\$ 112,386	\$ 449,545	\$ 449,545	\$ 274,163	\$ 452,191	\$ 1,764	\$ 4,409
Month 5	\$ 112,386	\$ 561,931	\$ 561,931	\$ 342,704	\$ 566,340	\$ 2,205	\$ 6,614
Month 6	\$ 112,386	\$ 674,317	\$ 674,317	\$ 411,244	\$ 680,931	\$ 2,646	\$ 9,260
Month 7	\$ 168,579	\$ 842,897	\$ 730,510	\$ 445,515	\$ 739,770	\$ 2,866	\$ 12,126
Month 8	\$ 168,579	\$ 1,011,476	\$ 786,703	\$ 479,785	\$ 798,829	\$ 3,087	\$ 15,213
Month 9	\$ 168,579	\$ 1,180,055	\$ 842,897	\$ 514,055	\$ 858,109	\$ 3,307	\$ 18,520
Month 10	\$ 168,579	\$ 1,348,635	\$ 899,090	\$ 548,326	\$ 917,609	\$ 3,528	\$ 22,047
Month 11	\$ 168,579	\$ 1,517,214	\$ 955,283	\$ 582,596	\$ 977,330	\$ 3,748	\$ 25,795
Month 12	\$ 168,579	\$ 1,685,793	\$ 1,011,476	\$ 616,866	\$ 1,037,271	\$ 3,969	\$ 29,764
Balances at end of 12 Months		\$ 1,685,793	\$ 1,011,476		\$ 1,037,271		\$ 29,764

Total uncollected w/ interest at end of Yr 1 \$ 1,037,271

Monthly amount to be collected over next 18 months \$ 61,212

Total amount to be collected including interest \$ 1,101,847

Total interest charges \$ 64,546

Computation of Surcharge Rate

Monthly Surcharge \$ 61,212

Monthly Revenues after rate increase \$ 740,627

8.26%