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OPEN MEETING AGENDA ITEM
BEFORE THE ARIZONA CORPORATION C
RECEIVED



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COMMISSIONERS

BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

2014 JUN -5 P 2:59

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JUN 05 2014

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
LAGO DEL ORO WATER COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF ITS
UTILITY PLANT AND PROPERTY AND FOR
INCREASES IN ITS WATER RATES AND
CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO. W-01944A-13-0215

**STAFF'S NOTICE OF FILING
PROPOSED AMENDMENTS TO THE
RECOMMENDED OPINION AND
ORDER**

Arizona Corporation Commission Staff ("Commission Staff") hereby files its Proposed
Amendments to the Recommended Opinion and Order in the above docket.

RESPECTFULLY SUBMITTED this 5th day of June, 2014.

Brian E. Smith
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

ORIGINAL

Original and thirteen (13) copies of the
foregoing filed this 5th day of June
2014, with:

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

1 Copy of the foregoing emailed and
2 mailed this 5th day of June 2014,
3 to:

3 Jay L. Shapiro
4 Fennemore Craig
5 2394 East Camelback Road, Suite 600
6 Phoenix, Arizona 85016
7 jshapiro@fclaw.com
8 Attorneys for Lago Del Oro Water Company

9 Steven Soriano
10 Vice President and General Manager
11 Lago Del Oro Water Company
12 9532 East Riggs Road
13 Sun Lakes, Arizona 85248
14 steve.soriano@robson.com

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STAFF PROPOSED AMENDMENT NO. 1

TIME/DATE PREPARED: _____

COMPANY: Lago Del Oro Water Company
AGENDA ITEM NO. __

DOCKET NO. W-01944A-13-0215

OPEN MEETING DATE: 6/10/14 and 6/11/14

Page 8, Line 11:

DELETE: "The different depreciation methodologies also result in Staff's recommended increase of net CIAC of \$87,724 and an annual reduction of \$40,587 to Depreciation Expense."

Page 11, line 1:

DELETE: Paragraph 45.

REPLACE
WITH:

"The Company provided plant accounting records to Staff that are adequate to support the calculation of depreciation expense using the vintage year method. This method stops calculating depreciation expense once the full amount of the investment has been recognized as depreciation expense. The Company's concern over what it termed "stranded costs" is, in essence, an accounting dilemma that can result from the use of the group method of depreciation, since under the group method over depreciation of the original plant investment can occur resulting in accumulated depreciation reserve balances that exceed the original plant cost. The use of a vintage year depreciation methodology would avoid the necessity of dealing with this accounting dilemma. Therefore, we find that LDO should use the vintage year method for calculating depreciation expense for all future plant additions."

**** MAKE ALL CONFORMING CHANGES**

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	Not Offered _____	_____ Withdrawn

STAFF PROPOSED AMENDMENT NO. 2

TIME/DATE PREPARED: _____

COMPANY: Lago Del Oro Water Company
AGENDA ITEM NO. __

DOCKET NO. W-01944A-13-0215

OPEN MEETING DATE: 6/10/14 and 6/11/14

Page 12 line 3:

DELETE: Paragraph 48

REPLACE
WITH:

“Staff asserts that the issue affecting the CIAC balance is not the same as that affecting the utility-plant-in-service balances. Rather, it is an error made by LDO in the calculation of net CIAC. The Company’s books reflect accumulated amortization of CIAC in an amount of \$186,882 on CIAC of \$99,158, resulting in a net understatement of CIAC in the amount of \$87,724. We accept Staff’s recommended reversal of this CIAC over amortization.”

**** MAKE ALL CONFORMING CHANGES**

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	Not Offered _____	_____ Withdrawn

STAFF PROPOSED AMENDMENT NO. 3

TIME/DATE PREPARED: _____

COMPANY: Lago Del Oro Water Company
AGENDA ITEM NO. __

DOCKET NO. W-01944A-13-0215

OPEN MEETING DATE: 6/10/14 and 6/11/14

Page 13, Line 1:

DELETE: “Discarding these adjustments increases the basis by \$568,294, which causes the ADIT balance to change to a \$66,658 credit (rate base reduction) to a \$148,137 ADIT debit (rate base Increase).”

REPLACE
WITH: “We find that the Company’s original ADIT credit balance of \$279,359 properly reflects the tax consequences related to the level of bonus depreciation actually reported by the Company on its 2012 tax return.”

**** MAKE ALL CONFORMING CHANGES**

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____