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8 Attorneys for Liberty Utilities (Litchfield Park Water & Sewer) Corp.

9

10 **BEFORE THE ARIZONA CORPORATION COMMISSION**

11 IN THE MATTER OF THE APPLICATION  
12 OF LIBERTY UTILITIES (LITCHFIELD  
13 PARK WATER & SEWER) CORP. FOR  
14 APPROVAL OF AN EXTENSION OF A  
15 CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WASTEWATER  
UTILITY SERVICE IN MARICOPA  
COUNTY, ARIZONA.

DOCKET NO: SW-01428A-15-0259

**NOTICE OF FILING RESPONSE TO  
INSUFFICIENCY LETTER DATED  
AUGUST 7, 2015**

16

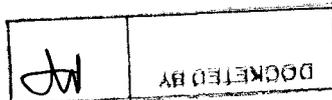
17 Liberty Utilities (Litchfield Park Water & Sewer) Corp. hereby submits its  
18 response to the Insufficiency Letter dated August 7, 2015. See **Exhibit A**.

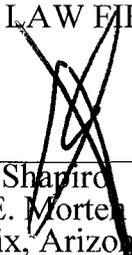
19 RESPECTFULLY SUBMITTED this 5th day of October, 2015.

20

SHAPIRO LAW FIRM, P.C.

21



By:   
Jay L. Shapiro  
1819 E. Morten Avenue, Suite 280  
Phoenix, Arizona 85020

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OCT 5 2015

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Arizona Corporation Commission

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and

LIBERTY UTILITIES

Todd C. Wiley  
Assistant General Counsel  
12725 W. Indian School Road, Suite D-101  
Avondale, Arizona 85392

Attorneys for Liberty Utilities (Litchfield Park  
Water & Sewer) Corp.

**ORIGINAL** and thirteen (13) copies  
of the foregoing filed  
this 5th day of October, 2015, with:

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

**COPY** of the foregoing hand-delivered  
this 5th day of October, 2015, to:

Sasha Paternoster, ALJ  
Hearing Division  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

**COPY** of the foregoing emailed & hand-delivered  
this 5th day of October, 2015, to:

Robin Mitchell  
Legal Division  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007  
rmitchell@azcc.gov

1 **COPY** of the foregoing emailed & mailed  
2 this 5th day of October, 2015, to:

3 Michele Van Quathem  
4 Ryley Carlock & Applewhite  
5 One North Central Avenue, Suite 1200  
6 Phoenix, AZ 85004  
7 mvq@rcalaw.com

8 By: Whitney Bink

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# **Exhibit A**

**LIBERTY UTILITIES (LITCHFIELD PARK WATER & SEWER) CORP.  
DOCKET NOS. SW-01428A-15-0259  
RESPONSE TO CCN INSUFFICIENCY LETTER DATED AUGUST 7, 2015**

October 5, 2015

Respondent: Steve Carlson  
Title: Manager Development Services  
Company: Liberty Utilities (Litchfield Park Water & Sewer) Corp.  
Address: 12725 W. Indian School Road, Suite D101, Avondale, AZ 85392  
Company Response Number: Deficiency Item No. 1

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Q. Please provide a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each sewer system and principal components of each sewer system (e.g., collection mains, trunk lines, lift stations, treatment plants, effluent disposal areas, etc.) to allow verification of the estimated costs provided under subsection (B)(5)(p) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met. Please note that the Exhibit 4 (Master Wastewater Plan), Appendix D (Preliminary Wastewater Report) of the Company's Application is not complete. Appendix D of the Master Wastewater Plan should have Phase 1 wastewater report. The Company only submitted the report cover and the table of contents. The wastewater report was omitted.

**RESPONSE:** Attached as Exhibit 4 to Liberty Utilities (Litchfield Park Water & Sewer) Corp.'s ("Company" or "Liberty LP") Application for Extension of Certificate of Convenience and Necessity is the Master Wastewater Plan for Zanjero Trails dated November 2014 ("Master Plan"). That Master Wastewater Plan was prepared by Hilgart Wilson engineers for Maricopa Water District ("MWD"). The Extension Area sought in the Company's CC&N extension here is the entire Zanjero Trails development as set forth in the Company's application.

Page 8 of the Master Plan contains costs estimates for each phase of Zanjero Trails. Specifically, Table 4 on page 8 of the Master Plan (titled "Table 4: Cost Estimate Summary") shows the total anticipated costs of wastewater facilities for each phase of Zanjero Trails by anticipated construction year, along with totals of the incurred costs for

the facilities after each phase of the development. As developed by Hilgart Wilson engineers, that "cost estimate uses current market pricing and accounts for hard construction costs for the sewer lines only." Master Plan at 8. Table 5 of the Master Plan also includes anticipated construction costs every five years of Zanjero Trails. Master Plan at 8, Table 5.

Table B.4 of the Master Plan is an 18 page document detailing anticipated improvement costs for wastewater facilities for each phase of Zanjero Trails. Table B.4 of the Master Plan was separately attached as Exhibit 5 to the Company's CC&N application here. Table B.4 of the Master Plan shows anticipated on-site lines by parcel with lineal footage, number of manholes, number of services, etc., as well as estimated costs for the Perryville Road sewer line extension. Table B.4 also details costs for plan review and processing fees, permit fees, consultant services (including construction management, engineering, construction staking and surveying), construction testing (soil/compaction), warranty costs, sales tax and other cost items. Table B.4 of the Master Plan details estimated costs for each phase of Zanjero Trails. Specifically, pages 1-3 of Table B.4 details the costs for Phase 1 of Zanjero Trails. As set forth in Table B.4, the total estimated costs for Phase 1 of Zanjero Trails is \$4,572,357.04. That number is set forth on page 8 of the Master plan within Table 4: Cost Estimate Summary. The Phase 2 costs are detailed on pages 4-6 of Table B.4 (totaling \$3,576,501.07); the Phase 3 costs are detailed on pages 7-9 of Table B.4 (totaling \$3,689,492.92); the Phase 4 costs are detailed on pages 10-12 of Table B.4 (totaling \$4,414,517.93); the Phase 5 costs are detailed on pages 13-15 of Table B.4 (totaling \$3,789,128.52); and the Phase 6 costs are detailed on pages 16-18 of Table B.4 (totaling \$2,702,645.89). Again, each of those totals are included on page 8, Table 4 of the Master Plan. Boiled down, the Master Plan contains detailed line item amounts for all costs of wastewater facilities for the entire Zanjero Trails development as estimated by Hilgart Wilson engineers.

In addition to those detailed cost estimates, Appendix A to the Master Plan contains a Vicinity Map, Land Use Plan, and Wastewater Exhibit for Phase 1 of Zanjero Trails. Further, Appendix A contains a map of the Phasing Plan for Zanjero Trails.

On these issues, the Master Plan, as stamped by Hilgart Wilson engineers, provides sufficient detail to describe the proposed wastewater facilities and sewer systems for each phase of Zanjero Trails, and details the principal components of each phase of Zanjero Trails, including collection mains, trunk lines, lift stations, treatment plants, effluent disposal areas, and other components of the wastewater facilities as appropriate for the Zanjero Trails development. The Master Plan and tables noted above are stamped by Hilgart Wilson and allow verification of the estimated costs under Commission rules and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.

In its insufficiency letter, Staff states that “Exhibit 4 (Master Wastewater Plan), Appendix D (Preliminary Wastewater Report) of the Company’s Application is not complete. Appendix D of the Master Wastewater Plan should have Phase 1 wastewater report. The Company only submitted the report cover and the table of contents. The wastewater report was omitted.” As noted above, the Master Plan includes a detailed plan for development and construction of Phase 1 of Zanjero Trails. In its application, the Company did not cite the 2009 Preliminary Wastewater Report for Zanjero Trails relating to the development plans and construction costs for Phase 1. That information is included within the Master Plan.

On these issues, page 1 of the Master Plan, §1.2 states: “A master wastewater report was prepared as part of the preliminary plat process for Phase 1. Cover sheets of the approved preliminary plat and associated wastewater report are included in Appendix D for reference.” Master Plan at 1, §1.2. In turn, the Master Plan utilized this report as one of three design criteria resources for Peak Hour Flow in Table 1 on page 3 of the Master Plan. As noted on page 2 of the Master Plan, “Table 1 summarizes the design criteria used for this report...1. A Preliminary Wastewater Report was prepared by HILGARTWILSON for Phase 1 of Zanjero Trails (between Camelback Road and Bethany Home Road) and approved by Liberty Utilities on May 19, 2009. The report was designed in accordance with the design criteria established in the White Tank Mountain Regional Sewer Solution Conceptual Plan (Regional Plan) prepared by United Engineering Group (UEG) dated July 14, 2004.” Master Plan at 2, ¶1. Page 2 of the Master Plan lists the superscript numbers referenced in Table 1 on page 3 of the Master Plan.

As set forth in the Master Plan, for Peak Hour Flow, Hilgart Wilson reviewed the 2009 Preliminary Wastewater Report (cover sheets shown in Appendix D), the Arizona Administrative Code R18-9-E301, and a previous study for Zanjero Trails using Epcor’s Loop 303 Wastewater Master Plan. Table 1 on page 3 of the Master Plan references the Arizona Administrative Code as the main resource for Peak Hour Flow. As stated in the Master Plan, the Preliminary Report attached as Appendix D was intended to be shown as cover sheets only and was not utilized within the Master Plan for anything but as additional resource to calculate Peak Hour Flow, of which the Master Plan primarily utilized the Arizona Administrative Code. That Preliminary Report is not a substantive basis for any deficiency finding in this docket.

**LIBERTY UTILITIES (LITCHFIELD PARK WATER & SEWER) CORP.  
DOCKET NOS. SW-01428A-15-0259  
RESPONSE TO CCN INSUFFICIENCY LETTER DATED AUGUST 7, 2015**

October 5, 2015

Respondent: Steve Carlson  
Title: Manager Development Services  
Company: Liberty Utilities (Litchfield Park Water & Sewer) Corp.  
Address: 12725 W. Indian School Road, Suite D101, Avondale, AZ 85392  
Company Response Number: Deficiency Item No. 2

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Q. Please provide documentation establishing the applicant's financial condition including at least the applicant's current assets and liabilities, an income statement, the applicants estimated revenue and expenses for the first five years following approval of the application, and the estimated value of the applicant's utility plant in service for the first five years following approval of the application. Please note that Exhibit 6 (The General Statement of Financial Condition) of the application contains numerous errors in the balance sheet, including accounts receivable, long term notes, Contribution in Aid of Construction and the Income Statement involving wages, professional services and interest income. Five year projections of plant do not match the projections of cost.

**RESPONSE:** With this response, the Company has attached a corrected Wastewater Utility Balance Sheet and Income Statement for the period ending December 31, 2014. That corrected Wastewater Utility Balance Sheet and Income Statement should replace Exhibit 6 in the Company's application.

Exhibit 8 (Estimated Annual Operating Revenue and Expenses – First Five Years) to the Company's application incorporates the capital cost forecast set forth in Table 4 on page 8 of the Master Plan and Table B.4 of the Master Plan, with an additional modification that estimates additional Contributions In Aid of Construction from Offsite Hook-up Fees for Zanjero Trails. The following reconciliation explains and details the five year projections for capital costs and CIAC:

**Year 1**

Costs from Developer	\$4,572,357	Cumulative Developer Costs	\$4,572,357
Est. CIAC from HUFs	\$ 135,000	Cumulative CIAC from HUFs	\$ 135,000
Total Utility Plant Yr 1	\$4,707,357	Cumulative Utility Plant	\$4,707,357

**Year 2**

Costs from Developer	\$ 0	Cumulative Developer Costs	\$4,572,357
Est. CIAC from HUFs	\$ 270,000	Cumulative CIAC from HUFs	\$ 405,000
Total Utility Plant Yr 2	\$ 270,000	Cumulative Utility Plant	\$4,977,357

**Year 3**

Costs from Developer	\$ 0	Cumulative Developer Costs	\$4,572,357
Est. CIAC from HUFs	\$ 315,000	Cumulative CIAC from HUFs	\$ 720,000
Total Utility Plant Yr 3	\$ 315,000	Cumulative Utility Plant	\$5,292,357

**Year 4**

Costs from Developer	\$3,576,501	Cumulative Developer Costs	\$8,148,858
Est. CIAC from HUFs	\$ 390,600	Cumulative CIAC from HUFs	\$1,110,600
Total Utility Plant Yr 4	\$3,957,501	Cumulative Utility Plant	\$9,259,458

**Year 5**

Costs from Developer	\$ 0	Cumulative Developer Costs	\$8,148,858
Est. CIAC from HUFs	\$ 547,200	Cumulative CIAC from HUFs	\$1,657,800
Total Utility Plant Yr 5	\$ 547,200	Cumulative Utility Plant	\$9,806,658

This reconciliation shows developer costs in years 1 and 4 based on construction cost estimates shown on Table 4 and 5 of the Master Plan for Phases 1 and 2 of Zanjero Trails. This reconciliation also ties to both the Exhibit 8 Balance Sheets attached to the Company's application and the Master Plan.

**COMPANY NAME**

Litchfield Park Service Company (Water)

**BALANCE SHEET**

Acct. No.	ASSETS	Balance at Beginning of Year	Balance at End of Year
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash		\$ 82,826
132	Special Deposits	\$ 1,776,142	\$ 3,489,028
135	Temporary Cash Investments		
141	Customer Accounts Receivable	\$ 1,735,050	\$ 1,789,513
146	Notes/Receivables from Associated Companies	\$ 6,901,993	\$ 7,737,342
151	Plant Material and Supplies		
162	Prepayments	\$ 34,394	\$ 141,701
174	Miscellaneous Current and Accrued Assets	\$ 734,405	\$ 497,242
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 11,181,984</b>	<b>\$ 13,737,652</b>
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 92,334,095	\$ 96,491,867
103	Property Held for Future Use		\$ 6,000
105	Construction Work in Progress	268,385	2,066,351
108	Accumulated Depreciation - Utility Plant	23,018,924	24,654,951
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>TOTAL FIXED ASSETS</b>	<b>\$ 69,583,556</b>	<b>\$ 73,909,267</b>
	<b>TOTAL ASSETS</b>	<b>\$ 80,765,540</b>	<b>\$ 87,646,919</b>

**BALANCE SHEET (CONTINUED)**

<b>Acct. No.</b>	<b>LIABILITIES</b>	<b>Balance at Beginning of Year</b>	<b>Balance at End of Year</b>
	<b>CURRENT LIABILITES</b>		
231	Accounts Payable		
232	Notes Payable (Current Portion)	\$ 169,600	\$ 169,600
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes	\$ 39,067	\$ 100,407
237	Accrued Interest	\$ 87,538	\$ 84,708
241	Miscellaneous Current and Accrued Liabilities	\$ 63,450	\$ 2,205,149
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 359,655</b>	<b>\$ 2,559,864</b>
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 5,021,714	\$ 4,955,344
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	\$ 29,728,643	\$ 32,164,708
253	Other Deferred Credits		\$ 2,845,544
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	\$ 4,941,962	\$ 4,252,013
272	Less: Amortization of Contributions	\$ 189,879	\$ 180,613
281	Accumulated Deferred Income Tax	\$ 2,701,827	\$ 2,701,827
	<b>TOTAL DEFERRED CREDITS</b>	<b>\$ 37,182,553</b>	<b>\$ 42,144,706</b>
	<b>TOTAL LIABILITIES</b>	<b>\$ 42,563,922</b>	<b>\$ 49,659,913</b>
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 44,574	\$ 41,446
211	Paid in Capital in Excess of Par Value	\$ 26,866,383	\$ 23,187,924
215	Retained Earnings	\$ 11,290,662	\$ 14,757,636
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	<b>\$ 38,201,618</b>	<b>\$ 37,987,005</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$ 80,765,540</b>	<b>\$ 87,646,919</b>

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	2013	2014
461	Metered Water Revenue	\$ 11,625,594	\$ 11,843,086
460	Unmetered Water Revenue		
474	Other Water Revenues	\$ 211,976	\$ 200,203
	<b>TOTAL REVENUES</b>	\$ 11,837,571	\$ 12,043,289
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$ 1,091,766	
610	Purchased Water	\$ 934	\$ 2,617
615	Purchased Power	\$ 977,532	\$ 978,732
618	Chemicals	\$ 137,595	\$ 127,776
620	Repairs and Maintenance	\$ 64,005	\$ 67,318
621	Office Supplies and Expense		
630	Outside Services	\$ 2,327,381	\$ 3,574,649
635	Water Testing	\$ 58,785	\$ 33,117
641	Rents	\$ (4,074)	\$ 1,717
650	Transportation Expenses	\$ 75,033	\$ 70,661
657	Insurance - General Liability	\$ 131,833	\$ 58,008
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense	\$ 218,931	\$ 389,511
403	Depreciation Expense	2,720,979	2,525,701
408	Taxes Other Than Income		
408.11	Property Taxes	188,162	214,018
409	Income Tax		
	<b>TOTAL OPERATING EXPENSES</b>	\$ 7,988,863	\$ 8,043,826
	<b>OTHER INCOME/EXPENSE</b>		
419	Interest and Dividend Income	\$ 34,653	\$ 10,955
420	AFUDC Income	20,320	107,597
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	367,396	651,041
	<b>TOTAL OTHER INCOME/EXP</b>	\$ (312,423)	\$ (532,489)
	<b>NET INCOME/(LOSS)</b>	\$ 3,536,284	\$ 3,466,974

**COMPANY NAME**

Litchfield Park Service Company (Sewer)

**BALANCE SHEET**

Acct. No.	ASSETS	Balance at Beginning of Year	Balance at End of Year
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash		73,450
132	Special Deposits	\$ 2,083,201	3,021,321
135	Temporary Cash Investments	\$ -	
141	Customer Accounts Receivable	\$ 1,538,629	1,586,927
146	Notes/Receivables from Associated Companies	\$ 6,120,635	6,861,417
151	Plant Material and Supplies	\$ -	
162	Prepayments	\$ 30,500	125,659
174	Miscellaneous Current and Accrued Assets	\$ 284,962	440,950
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 10,057,927	12,109,723
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	76,282,231	77,851,821.04
103	Property Held for Future Use		3,547,445.06
105	Construction Work in Progress	357,041	1,800,152.26
108	Accumulated Depreciation - Utility Plant	16,405,407	17,802,627.22
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 60,233,865	\$ 65,396,791
	<b>TOTAL ASSETS</b>	\$ 70,291,793	\$ 77,506,514

**COMPANY NAME**

Litchfield Park Service Company (Sewer)

**BALANCE SHEET (CONTINUED)**

Acct. No.	LIABILITIES	Balance at Beginning of Year	Balance at End of Year
	<b>CURRENT LIABILITES</b>		
231	Accounts Payable	\$ -	
232	Notes Payable (Current Portion)	\$ 150,400	\$ 150,400
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	\$ -	
236	Accrued Taxes	\$ 34,644	\$ 89,040
237	Accrued Interest	\$ 77,628	\$ 75,118
241	Miscellaneous Current and Accrued Liabilities	\$ 56,249	\$ 1,226,964
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 318,921	\$ 1,541,523
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 4,453,218	\$ 4,394,362
	<b>DEFERRED CREDITS</b>		
252	Advances in Aid of Construction	\$ 12,110,401	\$ 6,160,061
253	Other Deferred Credits		\$ 1,893,783
255	Accumulated Deferred Investment Tax Credits	\$ -	
271	Contributions in Aid of Construction	\$ 35,077,436	\$ 39,274,604
272	Less: Amortization of Contributions	\$ 5,957,420	\$ 6,634,373
281	Accumulated Deferred Income Tax	\$ 2,395,960	\$ 2,395,960
	<b>TOTAL DEFERRED CREDITS</b>	\$ 43,626,377	\$ 43,090,035
	<b>TOTAL LIABILITIES</b>	\$ 48,398,516	\$ 49,025,919
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 33,626	\$ 36,754
211	Other Paid in Capital	\$ 13,728,278	\$ 17,076,936
215	Retained Earnings	\$ 8,131,373	\$ 11,366,905
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ 21,893,277	\$ 28,480,595
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 70,291,793	\$ 77,506,514

COMPANY NAME

Litchfield Park Service Company (Sewer)

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

	<b>OPERATING REVENUES</b>	<b>2013</b>	<b>2014</b>
521	Flat Rate Revenues	\$ 8,624,304	\$ 9,641,090
522	Measured Revenues	\$ 861,147	\$ 767,699
536	Other Wastewater Revenues	\$ 374,767	\$ 603,470
	<b>TOTAL REVENUES</b>	\$ 9,860,219	\$ 11,012,259
	<b>OPERATING EXPENSES</b>		
701	Salaries and Wages	\$ 1,201,594	
710	Purchased Wastewater Treatment	\$ 39,395	\$ 26,008
711	Sludge Removal Expense	\$ 246,971	\$ 251,738
715	Purchased Power	\$ 628,493	\$ 629,688
716	Fuel for Power Production	\$ -	\$ 3,114
718	Chemicals	\$ 295,100	\$ 359,790
720	Materials and Supplies	\$ 119,214	\$ 74,361
731	Contractual Services - Professional	\$ (40,983)	\$ 1,603,931
735	Contractual Services - Testing	\$ 36,144	\$ 33,337
736	Contractual Services - Other	\$ 2,439,628	\$ 2,151,134
740	Rents	\$ 2,472	
750	Transportation Expense	\$ 18,856	\$ 16,827
755	Insurance Expense	\$ 84,335	\$ 48,329
765	Regulatory Commission Expense	\$ -	\$ -
775	Miscellaneous Expense	\$ 122,361	\$ 260,287
403	Depreciation Expense	\$ 1,648,570	\$ 1,473,255
408	Taxes Other Than Income	\$ -	\$ -
408.11	Property Taxes	\$ 752,647	\$ 856,251
409	Income Taxes		
	<b>TOTAL OPERATING EXPENSES</b>	\$ 7,594,797	\$ 7,788,049
	<b>OTHER INCOME/EXPENSE</b>		
419	Interest and Dividend Income	\$ 24,550	\$ 10,955
420	AFUDC Income	\$ 15,996	\$ 14,710
426	Misc non-utility		
427	Interest Expense	\$ 339,090	\$ 14,344
	<b>TOTAL OTHER INCOME/EXP</b>	\$ (298,544)	\$ 11,322
	<b>NET INCOME/(LOSS)</b>	\$ 1,966,878	\$ 3,235,532

**LIBERTY UTILITIES (LITCHFIELD PARK WATER & SEWER) CORP.**  
**DOCKET NOS. SW-01428A-15-0259**  
**RESPONSE TO CCN INSUFFICIENCY LETTER DATED AUGUST 7, 2015**

October 5, 2015

Respondent: Steve Carlson

Title: Manager Development Services

Company: Liberty Utilities (Litchfield Park Water & Sewer) Corp.

Address: 12725 W. Indian School Road, Suite D101, Avondale, AZ 85392

Company Response Number: Deficiency Item No. 3

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Q. Please provide the estimated annual operating revenue and expenses for the first five years of operation for the requested service area or extension area, expressed separately for residential, commercial, industrial, and irrigation services, and including a description of each assumption made to derive the estimates. Please note that the revenues and expenses in the Application were not listed separately for residential, commercial, industrial, and irrigation services.

**RESPONSE:** See attached Schedule 2 "Projected Incremental Revenues and Expenses by Type." The total revenues and expenses set forth on Schedule 2 for years 1-5 correspond to the totals set forth on Exhibit 8 to the Company's application. Schedule 2, however, estimates revenues and expenses separately for residential, commercial, industrial, and irrigation services. Schedule 2 segregates variable costs by service type with the total variable costs equaling the original submitted Total Variable Expenses. The sewage treatment related variable costs are based on specific dollar amounts for pumping, power, purchased water, sludge removal, chemicals and testing on a per 1,000 gallons treated basis. The billing, postage, operations, insurance, materials and supplies variable costs are based on combined costs for materials and supplies and combined costs for billing, postage, operations and insurance calculated on a per month per customer count for each specific service type. The methodologies used for calculating these costs and expenses are set forth in the notes on Exhibit 8 to the Company's application.

Litchfield Park Service Company - Wastewater Division dba Liberty Utilities  
 Zanjero Trails CC&N Extension  
 Projected Incremental Revenues and Expenses by Type  
 For the 12 Months Ended

Exhibit  
 Schedule 2

Line No.	1	2	3	4	5
3	Single Family Revenues	\$19,658	\$75,630	\$154,813	\$246,100
4	Apartment Revenues	-	-	-	\$349,493
5	Small Commercial	-	-	-	20,315
6	Elementary School	-	-	-	1,521
7	Effluent	-	-	-	6,479
8	Total Revenues	1,035	4,143	8,631	14,709
9	Total Revenues	\$20,693	\$79,773	\$163,444	\$282,645
9	Sewage Treatment related costs				\$442,762
10	Single Family				
11	Apartment	2,894	12,035	25,088	40,307
12	Small Commercial	-	-	-	2,402
13	Elementary School	-	-	-	109
14	Total Sewage Treatment Costs	2,894	12,035	25,088	42,819
15	Billing, Postage, Operations, Insurance, Materials, Supplies				66,555
16	Single Family				
17	Apartment	5,567	22,711	48,262	78,783
18	Small Commercial	-	-	-	6,537
19	Elementary School	-	-	-	279
20	Effluent	-	-	-	-
21	Total Billing, Postage, Operations, Insurance, Materials, Supplies	74	151	154	158
22	Total Variable Costs	5,641	22,863	48,416	85,737
23	Other Expenses	\$8,535	\$34,898	\$73,504	\$128,555
24	Depreciation net of Amortization of CIAC				
25	Legal & Accounting	-	-	-	-
26	Miscellaneous (d)(b)	500	510	520	531
27	Property Taxes (e)	300	306	312	318
28	Total Other Expense	553	1,080	2,351	4,685
29	Total Operating Expenses	\$1,353	\$1,896	\$3,184	\$5,534
30	Operating Income before Income Tax	\$9,688	\$36,793	\$76,688	\$134,090
31	Income Taxes	\$10,805	\$42,980	\$86,756	\$148,555
32	Less:				
33	Interest (Expense) Income on Work. Cap. (c)	2,071	8,254	20,747	46,272
34	Interest Expense Long-term Debt (c)	-	87	523	1,536
35	Net Income	\$8,734	\$34,813	\$66,531	\$103,819
					\$152,852

**LIBERTY UTILITIES (LITCHFIELD PARK WATER & SEWER) CORP.**  
**DOCKET NOS. SW-01428A-15-0259**  
**RESPONSE TO CCN INSUFFICIENCY LETTER DATED AUGUST 7, 2015**

October 5, 2015

Respondent: Brian Hamrick/Steve Carlson

Title: Senior Project Manager/Manager Development Services

Company: Liberty Utilities (Litchfield Park Water & Sewer) Corp.

Address: 12725 W. Indian School Road, Suite D101, Avondale, AZ 85392

Company Response Number: Deficiency Item No. 4

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Q. According to the Company's annual report, Palm Valley Treatment Plant ("PVTP") has 5.1 Million Gallon per Day ("MGD") capacity. The highest peak day flow in 2014 was 4.6 MGD. The projected peak flow from the entire requested area (contains 6 Phases) is 2.2 MGD. The PVTP will not have adequate treatment capacity to treat the flow, if the Company believes that entire requested area is to be built out in the future. Using Phase I as an example, since the Company projects that Phase I construction will be completed in 2015, the proposed peak flow from Phase I is 0.28 MGD, therefore, PVTP will treat a 4.88 MGD peak flow when Phase I is added in PVTP service. Since the Company has not submitted its PVTP expansion plant in this application, it appears that PVTP does not have adequate treatment capacity to serve this requested area. Please explain how the Company plans to resolve this issue.

**RESPONSE:** In the Master Plan, Hilgart Wilson projects the peak flows from the entire Zanjero Trails development (including phases 1-6) at 2.2 MGD. Those phases of Zanjero Trails are anticipated to be completed from 2015-2035. The peak flow figures contained in the Master Plan (Table 2) represent the dry weather peak hour flow anticipated from the Zanjero Trails development in each phase and at full build out. The peak hour flow calculations are shown in Table B-2 of the Master Plan and the peaking factors used in the Master Plan (ranging from 2.24 to 3.62) are based on the Arizona Administrative Code R18-9-E301.D. Under that regulation (A.A.C. R18-9-E301.D), the dry weather peak flow is used to design the components of a sewer collection system (sewer mains and lift stations), not the wastewater plant. A dry weather peak flow represents domestic flows that are generated during a two hour period in the morning (usually 6-8 a.m.).

Here, Palm Valley Water Reclamation Facility (PVWRF) does not see the full magnitude of these flow peaks due to transient time for wastewater flows through the collection system, which reduces these peak hour flows by the time they reach PVWRF. Conservatively assuming a two hour peak flow event at 2.2 MGD (1,527 gallons per minute), the total contributed volume is only 180,000 gallons for a two hour period meaning that PVWRF has adequate available capacity for these anticipated peak flows.

Also, PVWRF is designed for an average daily flow of 5.1 MGD, a maximum day flow of 6.6 MGD and a maximum hour flow of 10.2 MGD. It is not possible and improper engineering to compare the 5.1 MGD average daily flow capacity of the plant to a peak hour flow from a development such as Zanjero Trails. In reviewing the impact of a development in relation to PVWRF's treatment capacity, the proper comparison is the average daily flow from the development versus the historical average daily flow at the plant during the highest month. In 2014, the average daily flow at PVWRF during the highest month was 4,034,484 gallons per day (gpd), which leaves 1,065,516 gpd of available capacity at PVWRF. That available capacity is sufficient to accept the anticipated average flow from the first five phases of the Zanjero Trails development, which is estimated to generate an average daily flow of 1,023,806 gpd through phase 5 in 2034 as set forth in Table 3 (Population and Wastewater Flow Projections) of the Master Plan. Under the circumstances, PVWRF has sufficient existing treatment capacity to serve phases 1-5 of Zanjero Trails, and the Company anticipates expanding PVWRF to add additional treatment capacity in the near future.