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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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2006 MAY 26 P 3:12

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO IMPLEMENT ARSENIC COST RECOVERY MECHANISMS FOR ITS AGUA FRIA WATER, SUN CITY WEST WATER, HAVASU WATER, AND TUBAC WATER DISTRICTS

DOCKET NO. W-01303A-05-0280

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.

DOCKET NO. WS-01303A-02-0867

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS HAVASU WATER DISTRICT.

DOCKET NO. WS-01303A-02-0869

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER DISTRICT, ITS AGUA FRIA WATER DISTRICT, AND ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT.

DOCKET NO. WS-01303A-02-0870

~~W-01303A-02-0908~~

ARIZONA-AMERICAN WATER COMPANY'S NOTICE OF FILING RESPONSE TO STAFF REPORT AND PROPOSED ORDER

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**ARIZONA-AMERICAN WATER COMPANY
HAVASU WATER DISTRICT
NOTICE OF FILING
RESPONSE TO STAFF REPORT AND PROPOSED ORDER**

Arizona-American Water Company hereby provides notice of filing the attached response to the May 11, 2006, Staff Report and Proposed Order in the above-referenced matters.

RESPECTFULLY SUBMITTED on May 26, 2006.



Craig A. Marks
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1 Original and 19 copies filed
2 on May 26, 2006, with:

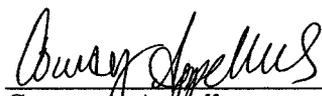
3
4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

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9 Copies of the foregoing
10 mailed on May 26, 2006, to:

11
12 Legal Division
13 Arizona Corporation Commission
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32 Courtney Appelhans

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO IMPLEMENT ARSENIC COST RECOVERY MECHANISMS FOR ITS AGUA FRIA WATER, SUN CITY WEST WATER, HAVASU WATER, AND TUBAC WATER DISTRICTS

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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS HAVASU WATER DISTRICT.

DOCKET NO. WS-01303A-02-0869

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER DISTRICT, ITS AGUA FRIA WATER DISTRICT, AND ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT.

DOCKET NO. WS-01303A-02-0870

**ARIZONA-AMERICAN WATER
COMPANY'S RESPONSE TO
STAFF REPORT AND PROPOSED
ORDER**

**ARIZONA-AMERICAN WATER COMPANY
HAVASU WATER DISTRICT
RESPONSE TO STAFF REPORT AND PROPOSED ORDER**

1 Arizona-American Water Company (“Arizona-American”) has reviewed the May 11,
2 2006, Staff Report and Proposed Order in the above-referenced matters and provides one
3 comment in response. Before doing so, Arizona-American would like to thank the Staff for its
4 prompt review of the schedules Arizona-American filed in this docket and for its overall
5 conclusion that “the Company's Step-One ACRM filing for its Havasu Water District, as
6 adjusted, is complete and in accordance with Decision No. 68310.”

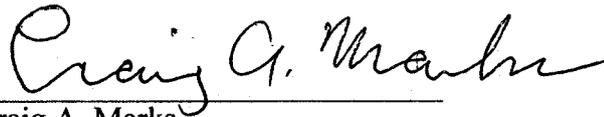
7 Arizona-American does take issue with the recommendation contained in the Report and
8 set forth in the proposed Order at page 7, lines 1-3:

9 IT IS FURTHER ORDERED that in the event that Arizona-American fails to file
10 a new rate case application by April 30, 2008, the Arsenic Cost Recovery
11 Mechanism surcharge then in place shall be automatically discontinued.

12 This paragraph is extremely punitive and hardly in the spirit of the ACRM procedure or due
13 process. Certainly, Arizona-American will do its best to file its rate-case application by April 30,
14 2008. However, as written, even if Arizona-American’s filing were delayed by one day by an
15 unforeseen circumstance such as a natural disaster, illness, or death, it would lose the ability to
16 recover its prudently incurred ACRM costs until the end of the 2008-filed rate case—a delay of
17 at least 12 months. The financial hardship to Arizona-American would be greatly
18 disproportionate to any hardship to the Commission or customers as a result of a brief filing
19 delay.

20 Arizona-American suggests a simple alternative: Change the deadline for the ACRM
21 surcharge termination to May 31, 2008. This should allow Arizona-American sufficient time to
22 overcome any type of unforeseen contingency and complete its filing.

1 **RESPECTFULLY SUBMITTED** on May 26, 2006.
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