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COMMISSIONERS

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

Arizona Corporation Commission

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, 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 PARADISE VALLEY WATER DISTRICT

DOCKET NO. W-01303A-05-0405

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR APPROVAL OF AN AGREEMENT WITH THE PARADISE VALLEY COUNTRY CLUB

DOCKET NO. W-01303A-05-0910

STAFF'S LIMITED EXCEPTIONS TO THE RECOMMENDED OPINION AND ORDER

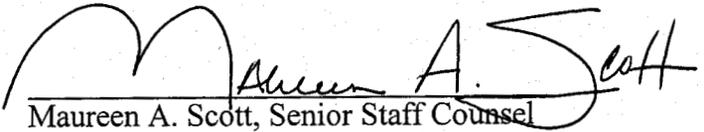
On July 11, 2006, Administrative Law Judge Teena Wolfe issued a Recommended Opinion and Order in these consolidated dockets. Staff supports the Recommended Opinion and Order ("ROO") and believes that it appropriately weighs and balances the evidence presented and resolves the disputed issues in a manner consistent with the weight of the evidence in this case. Staff recommends its adoption by the Commission with one limited exception.

Staff is concerned that on page 44 of the ROO, the reader may be left with the mistaken impression that the fire flow surcharge beginning October 1, 2007 is \$4.15 rather than \$3.15, as intended. This may occur because on lines 6 and 11, the ROO correctly lists the combined (\$2.15 plus \$1.00 or \$3.15) high usage surcharge to be charged third tier residential customers and second tier commercial customers beginning October 1, 2007 until recovery of the fire flow projects is

1 complete. However, the ROO then goes on to list the \$1.00 additive surcharge again separately on
2 lines 19 and 25 of page 44. This could leave the reader with the inaccurate impression that the \$1.00
3 listed on lines 19 and 25 of page 44, is in addition to the \$3.15 combined charge listed above.

4 To ensure that the ROO is clear in this regard, Staff would recommend that lines 6 and 11 of
5 the ROO, which list the combined charge of \$3.15 be stricken. That way, the ROO will separately
6 list the surcharge of \$2.15 which applies through September 30, 2007 and then separately list the
7 \$1.00 additional surcharge that will apply from October 1, 2007 until recovery of the fire flow project
8 is complete.

9 RESPECTFULLY SUBMITTED this 20th day of July, 2006.

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18 of the foregoing were filed this
19 20th day of July, 2006 with:

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