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MEMORANDUM

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TO: Docket Control Arizona Corporation Commission
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FROM: Ernest G. Johnson *[Signature]*
 Director
 Utilities Division

DOCKETED

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DATE: October 13, 2006

RE: **AMENDMENT TO THE STAFF MEMORANDUM FOR ARIZONA-AMERICAN WATER COMPANY'S NOTICE OF STEP-ONE ACRM FILING FOR ITS SUN CITY WEST WATER DISTRICT (DOCKET NOS. W-01303A-05-0280; WS-01303A-02-0867; WS-01303A-02-0869; WS-01303A-02-0870)**

On October 4, 2006, Staff filed its Memorandum for Arizona-American's Notice of Step-One ACRM Filing for its Sun City West Water District. The filing incorrectly stated Staff's recommended rates, typical bill analysis, and date for the Arizona-American permanent rate case filing.

This amendment correctly states the Staff recommended surcharge commodity rate of \$0.4592 per 1,000 gallons (replacing \$0.4601 per 1,000 gallons) and revises the typical bill analysis to reflect the correct surcharge rate. Additionally, this amendment states the correct permanent rate application filing date of May 31, 2008 for Arizona-American (replacing April 30, 2008). The corrections made to the filing are presented below. The corrections have no impact on Staff's recommendation to approve this application, and do not change the Recommended Order because the rates in the Recommended Order are correct.

MEMORANDUM

Remove paragraph 3 on page 1 of the Memorandum that reads as follows:

Staff recommends a Step-One ACRM surcharge of \$3.70 on the monthly customer charge and \$0.4601 per 1,000 gallons on the commodity rate. Under Staff's rate design, the average residential customer bill would increase by approximately \$8.31 (or 48.85 percent) from \$17.01 to \$25.32.

Insert the following paragraph:

Staff recommends a Step-One ACRM surcharge of \$3.70 on the monthly customer charge and \$0.4592 per 1,000 gallons on the commodity rate. Under Staff's rate design, the average residential customer bill would increase by approximately \$8.30 (or 48.79 percent) from \$17.01 to \$25.31.

Remove paragraph 6 on page 6 of the Memorandum that reads as follows:

Staff recommends that in the event that Arizona-American fails to file a permanent rate application for its Sun City West Water system by April 30, 2008 based on a 2007, test year as required by Decision No 66310, the Arsenic Cost Recovery Mechanism surcharge then in place shall be automatically discontinued.

Insert the following paragraph:

Staff recommends that in the event that Arizona-American fails to file a permanent rate application for its Sun City West Water system by May 31, 2008 based on a 2007, test year as required by Decision No 66310, the Arsenic Cost Recovery Mechanism surcharge then in place shall be automatically discontinued.

EGJ:CSB:tdp

Originator: Crystal Brown

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Docket Nos. W-01303A-05-0280 et al

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