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BEFORE THE ARIZONA CORPORATION COMMISSION

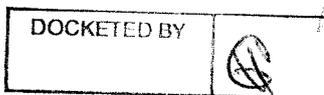
COMMISSIONERS

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JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG



AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF  
ARIZONA WATER COMPANY, AN ARIZONA  
CORPORATION, FOR ADJUSTMENTS TO ITS  
RATES AND CHARGES FOR UTILITY SERVICE  
FURNISHED BY ITS EASTERN GROUP AND  
FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-02-0619

PROCEDURAL ORDER

**BY THE COMMISSION:**

On March 19, 2004, the Arizona Corporation Commission ("Commission") issued Decision No. 66849 in the above-captioned matter filed by Arizona Water Company ("Company"). Decision No. 66849 approved an Arsenic Cost Recovery Mechanism ("ACRM") for the Company's Eastern Group that is the same as the ACRM approved for the systems in its Northern and Western Groups,<sup>1</sup> in order to allow the Company to recover capital costs and certain recoverable operating and maintenance ("O&M") costs directly related to the construction and continued operation of facilities required to comply with the United States Environmental Protection Agency's new maximum contaminant level of 10 parts per billion for arsenic. Decision No. 66849 ordered the Company to file a rate case no later than September 30, 2007.

On June 20, 2006, the Company filed in this docket a Request for Alteration or Amendment of Rate Filing Requirements. Therein, the Company requested that the Commission alter or amend the Company-wide rate case filing requirements by 1) changing the filing date for the total Company rate case, upon which the ACRM was conditioned, from September 30, 2007 to September 30, 2008; 2) changing the required test year to 2007 instead of 2006; and 3) allowing arsenic treatment O&M costs recoverable under the ACRM to be deferred through 2007, instead of through 2006. The Company states that the basis for its request is a material change in the Arizona Department of Environmental Quality ("ADEQ") Arsenic Compliance Policy. The Company states that it will

<sup>1</sup> Decision Nos. 66400 (October 14, 2003) and 68302 (November 14, 2005), respectively.

1 actually incur the first full year of arsenic treatment costs in 2007 instead of 2006 as contemplated by  
2 the ACRM.

3 On August 21, 2006, the Commission's Utilities Division Staff ("Staff") filed a Staff Report  
4 on the Company's request, and filed an addendum to the Staff Report on September 8, 2006. Staff  
5 recommends approval of the Company's request.

6 By Procedural Order issued October 16, 2006, intervenors in this docket were ordered to file  
7 comments or request that a hearing be held on the Company's June 20, 2006 filing no later than  
8 October 25, 2006.

9 No comments or requests for hearing were filed.

10 The Company's request is reasonable and should be granted.

11 IT IS THEREFORE ORDERED that the date on which Decision No. 66849 ordered Arizona  
12 Water Company to file a company-wide rate case as a condition for approval of the Arsenic Cost  
13 Recovery Mechanism is hereby changed from September 30, 2007 to September 30, 2008.

14 IT IS FURTHER ORDERED that in conjunction with the change in the required date for  
15 filing the company-wide rate case, the test year for the rate case is hereby changed from 2006 to  
16 2007.

17 IT IS FURTHER ORDERED that in conjunction with the change in the date for filing the  
18 company-wide rate case, Arizona Water Company shall be allowed to defer arsenic treatment  
19 operations and maintenance costs recoverable under the Arsenic Cost Recovery Mechanism through  
20 2007.

21 Dated this 29<sup>th</sup> day of December, 2006

22  
23   
24 DWIGHT D. NODES  
ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

25 Copies of the foregoing mailed/delivered  
26 this 27<sup>th</sup> day of December, 2006 to:

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